

1 VIRGINIA:

2 IN THE COUNTY OF WASHINGTON

3 VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

4 VIRGINIA GAS AND OIL BOARD

5
6
7 MARCH 18, 2008

8
9
10 APPEARANCES:

11 **BOARD MEMBERS:**

12 MARY QUILLEN - PUBLIC MEMBER

13 PEGGY BARBER - PUBLIC MEMBER

14 KATIE DYE - PUBLIC MEMBER

15 BRUCE PRATHER - GAS & OIL INDUSTRY REPRESENTATIVE

16 **CHAIRMAN:**

17 BENNY WAMPLER - DEPUTY DIRECTOR OF THE DMME AND CHAIRMAN

18 **COUNSEL:**

19 SHARON PIGEON - ASSISTANT ATTORNEY GENERAL

20
21 BOB WILSON - DIRECTOR OF THE DIVISION OF GAS & OIL AND
22 PRINCIPAL EXECUTIVE TO THE STAFF OF THE BOARD

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8 BENNY WAMPLER: I will now call the meeting to order. My name is
9 Benny Wampler. I'm deputy director for the Department of Mines, Minerals and
10 Energy and Chairman of the Gas and Oil Board. I'll ask the members to introduce
11 themselves starting with Ms. Quillen.
12
13 MARY QUILLEN: Mary Quillen. I'm director of graduate programs for
14 the University of Virginia here at the Higher Ed Center and Im a public member.
15
16 PEGGY BARBAR: Peggy Barbar, division of engineering at Southwest
17 Virginia Community College and I'm a public member.
18
19 KATIE DYE: Katie Dye, a public member from Buchanan County.
20
21 SHARON PIGEON: I'm Sharon Pigeon with the Office of the Attorney
22 General.
23
24 BRUCE PRATHER: I'm Bruce Prather. I represent the Oil and Gas
Industry on the Board.
BOB WILSON: I'm Bob Wilson and I'm the Director of the Division of
Gas and Oil and principal Director to the staff of the Board.
BENNY WAMPLER: Thank you. I would ask you if you have
computers or laptops that ding and buzz and cell phones that go off that you put
them on vibrate and all the things that will disrupt the Board hearing to take care of
that. At 9:45 we're going to get some sort of sound though. It may sound like a
fire alarm, but anyway we are going to do a tornado drill as part of

1 a....statewide that is going on at this time today. When that occurs, go out, go to
2 the right and go down the stairs and find an interior office so there will be different
3 people...Ms. Quillen has offered her office. You go straight down the hall when you
4 go out the door and at the bottom of the steps go straight forward. There is also if
5 you take a left, the restrooms on either side of the hall...either side of the downstairs
6 you can go into any interior building. In other words, you don't want to be around
7 any place that has glass. That's the...that will be the drill. It will take about ten to
8 twelve minutes and then we'll come back.

9 MARY QUILLEN: There is a couple of classrooms... interior
10 classrooms that are on the first level but there will be Higher Ed folks down there
11 directing you to those restrooms on either end and to those classrooms where you
12 might be...go. I am not sure how many people are in the building but there are a
13 number events that are going on
14 so---.

15 BENNY WAMPLER: Yeah, there will be a lot of people just take your
16 time.

17 MARY QUILLEN: And there are a number of people and there will be
18 people directing you where you need to go.

19 BOB WILSON: Mr. Chairman, you might add that this is not optional.
20 They will make sure that everybody goes and takes part. So---.

21 BENNY WAMPLER: Yeah, they can't leave you in the room. Anyway,
22 at 9:45, wherever we are in this hearing, any testimony or anything, we are going to
23 stop and leave here and go downstairs to an interior facility.

24

--

1 MARY QUILLEN: And, Benny, you might also remind any of the
2 attorneys that if you have sensitive documents or laptops that you will probably want
3 to pick those up and take those with
4 you.

5 BENNY WAMPLER: The first item on today's agenda is a petition
6 from CNX Gas Company, LLC for creation and pooling of conventional gas unit
7 T2(CV) this is docket number VGOB-08-0219-2129 continued from February. We'd
8 ask the parties that wish to address the Board in this matter to come forward at this
9 time.

10 MARK SWARTZ: Mark Swartz and Les Arrington.

11 JIM KAISER: And Jim Kaiser on behalf of Chesapeake Appalachian.
12 (Leslie Arrington is duly sworn.)

13 BENNY WAMPLER: Let the record show there are no others you may
14 proceed, Mr. Swartz.

15 MARK SWARTZ: We have some housekeeping issues. First of all,
16 we'd like to withdraw item number one which was continued until today. The only
17 respondent was Chesapeake, Mr. Kaiser's client. I take it it's okay with you if we do
18 that?

19 JIM KAISER: Yes, we have an agreement signed yesterday between
20 the parties. It's possible, I guess, if that voluntary agreement doesn't get worked out
21 then we'll have to come back and refile this, but as of right now we're filing it. Mr.
22 Wilson, I might note that you'll be getting a letter from my office probably tomorrow
23 withdrawing our objection to the permit on this well.

24

1 BENNY WAMPLER: Thank you.

2 MARK SWARTZ: There's also another case on the docket that
3 involves Chesapeake. What we're going to do on that one...it is number six, I think.
4 As long as we've got Mr. Kaiser down here, what our plan was on that there is a
5 respondent in addition to Chesapeake in that unit so we need to continue to pool that
6 but we are going to dismiss Chesapeake from number six just so...is that
7 acceptable?

8 JIM KAISER: It's acceptable.

9 BENNY WAMPLER: So, you want to continue it?

10 MARK SWARTZ: No, we don't. We just want to get his consent up
11 front to do---.

12 BENNY WAMPLER: Right now to dismiss that. That is for docket
13 number VGOB-08-0219-2133?

14 MARK SWARTZ: Right, to dismiss Chesapeake from that one and
15 proceed. Then in housekeeping department as well, we've got some due diligence
16 efforts that we need to complete with regard to units eight and nine, which would
17 be..which are units R1 and R2. Anita, do we need a month for R-1...a month would
18 be great if we could continue those.

19 BENNY WAMPLER: Okay. That's docket number VGOB-08-0318-
20 2160 and VGOB-08-0318-2161, those are continued until April.

21 MARK SWARTZ: That would be great. And then lastly, the second
22 item on the docket, which you haven't called yet, but is a continued hearing with
23 regard to infill drilling and it concerns the middle ridge field rules. If you look at
24

1 items thirteen and fourteen, those are also petitions with regard to adding some end
2 field drilling areas in the Nor...number thirteen is in the Nora field and number
3 fourteen is in the Oakwood. The testimony would essentially be the same, I mean
4 we're talking about the engineering. Mr. Toothman is here. I will leave this to you
5 all, but he would essentially be repeating himself and it might make sense to put
6 those together and do them at one time, but it's totally up to you all.

7 BENNY WAMPLER: What we might do is before we hear his
8 testimony on two is then just follow up by thirteen and fourteen rather than calling
9 them---.

10 MARK SWARTZ: Okay.

11 BENNY WAMPLER: ---rather than call them all three together---.

12 LESLIE ARRINGTON: Cool.

13 BENNY WAMPLER: ---in case there are other issues involved.

14 MARK SWARTZ: Well, and it's different mapping issues. So, it might
15 get a little confusion, but that would definitely save some time as well. That would
16 be great.

17 BENNY WAMPLER: Right. All right. The first item is withdrawn.
18 That's...that was docket number VGOB-08-0219-2129, that's withdrawn. I will now
19 call a petition from CNX Gas Company for modification of the Middle Ridge I Field
20 Rules for units AV106 to AV109, AW106 to AW109, AX106 to AX109, AY106 to
21 AY109, AZ106 to AZ109, BA106 to BA109, BB106 to BB109, BC106 to BC109,
22 BC106 to BC109, BD106 to BD109, BF106 to BF109, BF107. This is docket
23 number 00-1017-0835-02. We'd ask the parties that wish to address the Board to
24

1 come forward at this time.

2 MARK SWARTZ: Mark Swartz, Les Arrington and Rick Toothman.

3 (Rick Toothman is duly sworn.)

4 BENNY WAMPLER: Let the record show there are no others, you
5 may proceed.

6

7 LESLIE ARRINGTON

8 having been duly sworn, was examined and testified as follows:

9 DIRECT EXAMINATION

10 QUESTIONS BY MARK SWARTZ:

11 Q. Les, this docket item that Mr. Chairman has called is a
12 request by CNX Gas Company to add some Middle Ridge unit to the concept of
13 being able to drill two wells in each
14 of those units, is that correct?

15 A. That's correct.

16 Q. The...do you have a map with you today that we can't give to
17 you today, but we could reproduce it, you know, if you want one later, but just to
18 illustrate to the Board the three areas that we are going to talk about today?

19 A. Yes.

20 Q. Just hole that up and---.

21 A. This area here, we originally came in back last year
22 sometime and had this green area approved and this tan colored area approved. We
23 have drilled in that area now...infill drill and now we're back we'd like to get approval

24

1 to attempt to do this area in addition...the color didn't show up on this
2 map...additionally do this area here And also this little tan colored area here was
3 approved. This area from the black line east is Middle Ridge and west is Nora.
4 That was the reason for the two different colors here.

5 Q. Let's just set the field organization so that we've
6 got...everything north of this black line is what field?

7 A. It's Oakwood.

8 Q. Okay. And everything..not everything, but what we're going
9 to be talking about that would be east of this vertical line coming down from the
10 Oakwood and headed south would be...what would this be?

11 A. That's the Middle Ridge.

12 Q. Okay. Then to the west?

13 A. Is Nora.

14 Q. Okay. In addition to talking about the first application that
15 the Chairman just called would be the first three rows in the Nora field that we've
16 indicated here, correct?

17 A. Yes.

18 Q. Then we're going to be talking later about this green area in
19 Nora, right?

20 A. Yes.

21 Q. And is there an Oakwood area that we're going to be talking
22 about today?

23 A. Yes there is. It's an area that we've continually missed.

24

1 This little tiny area right here
2 in between all this mining.

3 Q. Sort of in the center—?
4 A. Yes.

5 Q. ---of the Oakwood field? And those are the three areas that
6 ultimately we would be talking about?

7 A. Yes.

8 BENNY WAMPLER: Those areas you've discussed that the Board had
9 previously approved were they provisional...were they provisional units?

10 LESLIE ARRINGTON: The previous ones?

11 BENNY WAMPLER: Yes.

12 LESLIE ARRINGTON: I can't remember.

13 MARK SWARTZ: I don't believe any of those unit were provisional.

14 LESLIE K. ARRINGTON: I don't believe they were.

15 BOB WILSON: Mr. Chairman?

16 BENNY WAMPLER: Mr. Wilson.

17 BOB WILSON: Before we go forward, I can't tell on the map you've
18 shown there the map that you have is Exhibit A-1 in the permit application. It shows
19 a gap of three units here---?

20 LESLIE ARRINGTON: Yes.

21 BOB WILSON: Is that what you're showing on that map?

22 LESLIE ARRINGTON: If you'll notice that what I pointed out, this little
23 area right here is that gap. This was previously approved in the Middle Ridge when
24

1 we came in.

2 BOB WILSON: Yeah, I just couldn't see that map from here.

3 MARK SWARTZ: Okay. And it's actually four.

4 BENNY WAMPLER: Four, yeah.

5 MARY QUILLEN: Four.

6 BOB WILSON: You're right. Three plus one, okay.

7 MARK SWARTZ: Mr. Chairman, if I could---

8 BENNY WAMPLER: Yes, go ahead.

9 MARK SWARTZ: ---have Mr. Toothman testify?

10

11 RICK TOOTHMAN

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. SWARTZ:

14 Q. Could you state your name for us, please?

15 A. Yes, Rick Toothman.

16 Q. And you're under oath?

17 A. Yes.

18 Q. And who you work for?

19 A. CNX Gas Company.

20 Q. I know you've testified before as an expert, but I would ask

21 that you kind of remind the Board what it is that you do for CNX, your work history

22 and your education with regard to the matters.....as it pertains to the matters that

23 you're going to be talking about today?

24

--

1 A. My current position is vice president of engineering and
2 technical services to CNX Gas Company. We basically are involved in selecting well
3 sites and doing all the reservoir engineering, production engineering, all those types
4 issues as related to all well styles. I've got twenty
5 plus years...twenty-two years of oil and gas experience. The majority of that has
6 been in the area of coalbed methane development including the San Juan basin of
7 New Mexico, Northern West Virginia, Southwest PA and, of course, here in
8 Southwest Pennsylvania.

9 Q. This isn't Southwest Pennsylvania.

10 A. Excuse me, Southwest Virginia.

11 Q. You're doing too much traveling.

12 A. Excuse me. Okay, I do that too. I was there last night.
13 Excuse me, Southwest Virginia.

14 Q. And where did you go to school?

15 A. I went to West Virginia University.

16 Q. And what degree did you receive?

17 A. I've got a petroleum engineering degree.

18 Q. In....when?

19 A. Four hundred years ago...1986.

20 Q. Okay. Have you testified before this Board before?

21 A. Yes, I have.

22 Q. Okay. And with regard to the rationale or reasoning behind
23 this idea of infill drilling, if you could...I know we've got an exhibit that Les can pass
24

1 out here, but if you could tell us why it is that infill drilling makes sense in this area,
2 in your opinion, and then the basis for that opinion.

3 A. The coalbed methane development programs in this area are
4 typically vertical wells and vertical wells that produce coalbed methane for multiple
5 coal seams at one time. It's not uncommon to have as many as twenty to twenty-
6 five different coal seams that produce coalbed methane in a given wellbore and these
7 things are very thin, generally speaking, with the exception of some of the seams
8 that are mined. The majority of those are I'll say one to two foot in thickness.
9 Additionally, these coals have very high gas contents but have very low permeability,
10 which is the ability to flow gas effectively. So, your drainage areas, the higher the
11 permeability of the coal the larger the area of influence that you can drain in a period
12 of time. Experience has shown that generally speaking you start with more
13 conservative development estimates as to what those drainage areas are and that's
14 the reason that Oakwood, Nora and Middle Ridge were set up on 80s and 60s. But
15 I think that now that we've got some history behind us from, you know, ourselves
16 and some of the others in the area that we are not effectively draining all of the
17 methane from those large units. That additional wells in those units will increase the
18 recovery of the resource that is there and also accelerate the recovery of the
19 resource there. So, that is really why we are here before the Board. We wanted to
20 do that. We certainly have demonstrated that, I think, in the Oakwood field when we
21 went from a 80s to 40s. We did it in kind of a stepwise fashion to show ourselves
22 and the Board that it was a prudent thing to do. We came before the Board, I
23 believe it was last year, for these two units or two areas of Middle Ridge and Nora

24

1 to demonstrate the impacts of infill drilling. We do have some production results
2 back to date, in my opinion, that support that we'll do exactly what we thought would
3 happen and that is that we will accelerate the recovery of the resources as well as
4 increase the recoverable gas from each one of these units.

5 Q. Are there differences between conventional gas reservoirs
6 and CBM reservoirs that would cause you to develop them in a different way?

7 A. Yes, there are. It's the way the gas is stored in coal
8 compared to the way gas is stored in a conventional gas reservoir. I mean, simply
9 put, communication between wells is pretty well considered some undesirable effect
10 in a conventional well because you know gas effectively then once they
11 communicate...a molecule gas has to choose which well it's going to and you'll see
12 that both of them go down. Gas in a coal seam is stored by absorption and more
13 gas is released at lower pressures and it's a desirable characteristic to try to reduce
14 the reservoir pressure as low as you possibly can to get the most gas out of place.
15 It begins by a lot of times with the associated water that is with coal and as you
16 produce that water you'll start that desorption process with the releasing of the gas.

17 Q. When you drill a coalbed methane well, typically would you
18 see...like in the early stages of production, would you see production increase in
19 response to dewatering?

20 A. Yes.

21 Q. And which would not be something generally speaking that
22 you would see in a conventional well?

23 A. That's correct.

24

1 Q. In addition, just to compare how the gas molecules are
2 stored in sand or conventional formation and in a coal formation, in a sand or
3 conventional formation would it be true that essentially there are porous areas in the
4 formation which actually contain or hold the gas?

5 A. That's correct. It's contained in the void space.

6 Q. And how is the gas attached or contained in the coal?

7 A. It's absorbed to the surface. There's essentially a chemical
8 process and it's not exactly. It's a little easier to visualize. It's kind of like a sponge
9 where you have water and you can't really see the water in the sponge, but you can
10 wring it out. It's not exactly the same, but that's probably the best analogy I have.

11 Q. And the sponge would be...in the sense the sponge would
12 retain water, even if you just set it on the table it would hold water. If you set a
13 block of coal...you know, if you visualize that, it would hold the gas as opposed to
14 letting it escape like a typical piece of sandstone reservoir would?

15 A. That's correct.

16 Q. Is there an impact of pressure on absorption?

17 A. Yes.

18 Q. What is that?

19 A. Again, the way gas is stored in coal it requires a reduction of
20 pressure of the reservoir and when the pressure is reduced, then methane is
21 released from the coal. It's somewhat of a steep curve in the beginning that flattens
22 out with pressure and I guess the point...we call it an absorption isotherm, but the
23 point is that most of the gas is stored at very low pressure so in the beginning when
24

1 you reduce the pressure you'll get modest increases of methane released or
2 production. When you get down to very low pressures a very small change in
3 pressure can respond in a very large release of methane. So, a great deal of gas is
4 stored there. So, a very small decrease in pressure at those points will release a lot
5 of residual methane.

6 Q. Can you tell me whether or not the intention of that second
7 well is to cause that decrease in that pressure?

8 A. Absolutely it is.

9 Q. The data...the Board has the graph that we are going to be
10 talking about in a moment. But the data on that graph comes from areas that are
11 shown on this map?

12 A. That's correct.

13 Q. Watch Les to make sure he's getting it right, but the data is
14 basically from the green area in the Nora field and a tan area in the Middle Ridge
15 field, is that correct?

16 A. Yeah, that's correct. And as far as the graph relates to it,
17 the area to the east is the AB area and the area to the west is considered the BB
18 area when you refer to the graph.

19 Q. Okay. If you would, would you refer to the graph to...explain
20 to the Board what the data indicates with regard to the effect of the infill drilling in
21 these two areas?

22 A. If you first look at the two...the red and orange lines those
23 represent average production results of wells...60 acre wells in those areas.

24

1 Individual well productivity or profiles will be pretty dramatically different, but that
2 represents what we call a time zero shift production, which means that even though
3 they did not come on the exact same day we took all of those wells in those two
4 areas and we shifted them as if they came on at the exact same day and we
5 averaged the profile to see what an average coalbed methane well would look like on
6 sixty acres. You can see that both of them were pretty similar in the fact that
7 between 75 and 80 mcf a day is what I would consider the peak rate and you know
8 about two to three years out you're still out there about 60 mcf a day. You'll see
9 some fluctuation up and down again, that's not atypical for a coalbed methane
10 response.

11 Q. The...there's a spike in the beginning, correct, that you're
12 trying to effect early on?

13 A. Sometimes, yeah.

14 Q. What are the dark...the black lines?

15 A. The grey and the black represent the 30 acre infill well
16 performance. As you can tell, they obviously have not been on for a long period of
17 time as the 60s. We wanted to...we wanted to monitor how these wells perform in
18 relation to the 60 acre wells. It is very early, but you can see the BB infill is right
19 at...the same type of IP rate is around 75. The black line, which represents the AB
20 area at this point, is around 60 mcf a day, which is slightly less at this period of
21 time, which is still very early.

22 Q. And what happens over time to effect that in your
23 experience?

24

1 A. Well, we've even seen some increases with time in some of
2 the other areas that we've done certainly not here but in the 40 acre infills where we
3 have seen some positive responses
4 even from the older wells in which they have increased in production as a result of
5 the interference you see---.

6 Q. And we have talked about that before with the Board?

7 A. That's correct.

8 Q. Over time, if you have two wells in a unit on a smaller
9 spacing, what effect, if any, does that have on production on a ten year period or a
10 twenty year period?

11 A. You'll get an accelerated recovery as a result of having two
12 wells in there. We're not necessarily suggesting that we'll double the recoverable
13 reserve with a second well, but you will increase the overall recovery from a unit an
14 you will get it faster. So, you get two benefits.

15 MARK SWARTZ: That's all I have of Mr. Toothman at this time, Mr.
16 Chairman.

17 BENNY WAMPLER: Questions from members of the Board?

18 BRUCE PRATHER: Mr. Chairman, I have a question. How many
19 wells does your cross section here say you have in your dark...is that one well, two
20 wells or three wells?

21 RICK TOOTHMAN: No, what...what's represented in that, the BB area
22 has 25 active 60 acre wells within it.

23 BRUCE PRATHER: Okay.

24

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1 RICK TOOTHMAN: But in this comparison what we did is we wanted
2 to look at the units that had the second well drilled in them and that was actually on
3 production. So, in this comparison on the BB area, you're actually looking at
4 nineteen 60 acre wells versus nineteen infill wells.

5 BRUCE PRATHER: Okay.

6 RICK TOOTHMAN: The time frame, the...the only thing I do want to
7 say is that you want to somewhat disregard...since these are time zero shifted some
8 wells have been on longer than others. You really need to just disregard the kind of
9 the end of this production. Where you see that red one goes shooting way up, for
10 instance, that's...that's just a mathematical thing that happens because the average
11 at that point may only be one or two wells versus nineteen wells at the front end.
12 So, you concentrate on, you know, the first half of the graph, which is really what
13 we're focused on here---.

14 BRUCE PRATHER: Well, if the 80,000 a day would be correct and
15 you took half the spacing away it should be down around 30, but that's not....or
16 down around 40, but that's not the way it is. You've got this up around 50 and 60.

17 RICK TOOTHMAN: That's correct.

18 BRUCE PRATHER: So, you know...so, you are getting an advantage
19 because normally if you cut the acreage in half you cut the production in half.

20 RICK TOOTHMAN: Yeah, and even the theoretical modeling that has
21 been doing, we know we'll get a benefit, but the practicality of it I think we may be
22 conservative on our...on our benefit of the infill well and that's simply because we are
23 stimulating and accessing so many coals at one time. Just statistically speaking,

24

1 there's a better chance of getting into all of those coals when you put a second well
2 in there because there may be some coals that you didn't do as good a job
3 stimulating when you put the second well in there if you do a better job of stimulating
4 that you may actually, you know, improve the recovery much much better there
5 because it somewhat bypassed to begin with.

6 BRUCE PRATHER: Is there any variation in the thickness of the coal
7 so that you wouldn't do it in one well, but you'd do it in the offset?

8 RICK TOOTHMAN: It varies. It does vary across the area, but the
9 answer to that is no. I mean, we...we've got a significant coal package across all of
10 this property, you know.

11 BRUCE PRATHER: Okay.

12 RICK TOOTHMAN: Individual coal seams do tend to come and go. I
13 mean, they'll either thin...in some cases they'll... they won't completely disappear but,
14 you know, certainly thin out.

15 BENNY WAMPLER: You're saying you're seeing the same pattern in
16 the AV area as you did the BB area.

17 RICK TOOTHMAN: Yeah, I think the response at this point in the AV
18 is slightly less. I mean, certainly from the data it's...but it's efficient to justify
19 economic recoverable gas reserves that are there at this point. You know, time will
20 tell. I think there's a good chance that we'll see some incremental benefit with time
21 as we have in other areas that aren't on this though.

22 BENNY WAMPLER: How do you determine where to put that second
23 well?

24

1 RICK TOOTHMAN: Well, we try to live within the guidelines of the
2 way the units are set up. We have set backs from the unit boundaries that we abide
3 by and then we try to keep them...I think, what's the distance, six---?

4 MARK SWARTZ: Six hundred.

5 RICK TOOTHMAN: Five hundred or six hundred.....six hundred feet
6 from the existing well in the unit and then really, I mean, we just try to honor the
7 other cultural issues that are there, which has to do with topography or...or houses or
8 streams or whatever else that we have to deal with and including some shallow
9 mining issues that may occur in some of these areas. So, we try to honor all of
10 that.

11 BENNY WAMPLER: Is there anticipated mining in this particular
12 exhibit A1 area?

13 RICK TOOTHMAN: Not that I am aware of.

14 LESLIE ARRINGTON: Yes, there is. We work with that operator not
15 on a daily basis, but certainly bi-weekly, monthly. We work with him. We have his
16 mine plans and we are working with him. Actually, that operator actually owns some
17 of the property in the area.

18 BRUCE PRATHER: There wouldn't be....there wouldn't be any
19 correlative rights problems in any of these areas that you're talking about whereby
20 you drill an infill well and it is too close to an adjacent form well? There wouldn't be
21 any correlative rights problems with any of this would there?

22 LESLIE ARRINGTON: No.

23 BENNY WAMPLER: Other questions from members of the Board?

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1 MARY QUILLEN: Mr. Chairman, I have just---

2 BENNY WAMPLER: Ms. Quillen.

3 MARY QUILLEN: ---one question. Going back to the graph, in this
4 middle section that you had drawn our attention to, it is...you said that wells are
5 the...that there are two wells operating in each of the units and they were all
6 producing consistently across this period of time, is that what you said?

7 RICK TOOTHMAN: Let me reiterate. The...we drilled 60 acre wells in
8 here according to the original field rules to begin with. What's reflected on this graph
9 are nineteen wells in the BB area and eighteen wells in the AB area. What you see
10 here is a representation of the average performance of that well. Then we came in,
11 once we've got the approval to infill drill those we now have eighteen and nineteen
12 30 acre infills in those units and, again, what's represented in the grey and the black
13 is the average performance of those wells today. And you can see...I mean, the only
14 reason why I don't have 1,600 days is they have not been on for that period of time.
15 The infills are relatively new.

16 MARY QUILLEN: Thank you.

17 BENNY WAMPLER: Other questions?

18 (No audible response.)

19 BENNY WAMPLER: Where does this stop? I mean, you know, going
20 back and putting two wells then now where we had one well, what...what
21 drives...what are all of the factors that drive, for the Board's education, that would
22 drive whether or not you come back and want to go on fifteen?

23 RICK TOOTHMAN: I think there's...there are several issues. You

24

1 know, one of those is just the history that it takes to determine, you know, what is
2 the recoverable gas. You know, this particular area has a lot of gas in the coal. It's
3 a tremendous resource to, you know, both the mineral owners as well as the
4 operators. So, you know, with time I would never suggest that we wouldn't come in
5 at some point in time but it wouldn't be prudent until we establish, I think, some
6 history behind where we're at and that we can't achieve all of the recoveries that we
7 need, you know, from the spacings that we're putting out there. Some of the things
8 that drive that, you know, may be completion efficiencies that are out there, but, you
9 know, another motivator also has to do with gas prices. It's not any different than
10 coal. There's a lot of coal reserves that can get mined at \$100 a ton versus \$20
11 bucks a ton. So, you know, we don't control gas prices, but in the future there may
12 be, you know, evolution of better techniques and certainly the gas price support that
13 would suggest doing things a different ways.

14 BENNY WAMPLER: Other questions of Mr. Toothman?

15 (No audible response.)

16 BENNY WAMPLER: Mr. Arrington, would you discuss the...do you
17 have questions for Mr. Arrington?

18 MARK SWARTZ: I actually had one question for him. Mr. Pra...I've
19 never really thought about it this way, but Mr. Prather's question essentially was,
20 again, I'd like to get you to either agree or disagree with the concept, suggested to
21 me that the fact that the new wells are starting at or above the production levels of
22 the existing wells is evidence that the wells are not in communication?

23 BRUCE PRATHER: That's right.

24

--

1 MARK SWARTZ: Did you receive that message? I mean, do you
2 agree that that is also a way of looking at this?

3 RICK TOOTHMAN: In conventional terms I would agree with that.
4 Again, with the storage mechanisms of coal it doesn't necessarily---.

5 MARK SWARTZ: It's a mechanical issue?

6 BRUCE PRATHER: That's right.

7 MARK SWARTZ: If they were in communication in the sense of a
8 conventional well what you would expect to see in a theory sense is that you get half
9 the original production, you know, fifty percent from each well. That clearly is not
10 occurring here?

11 RICK TOOTHMAN: That's right.

12 MARK SWARTZ: And if there is an increase in production of
13 the...starting production of the new wells or sort of tag along effect on the existing
14 wells that pertains to the mechanics, the difference between the way the methane is
15 in a coal seam as opposed to the way the methane is in a conventional reserve,
16 correct?

17 RICK TOOTHMAN: That's correct.

18 MARK SWARTZ: That's all I have.

19 BENNY WAMPLER: How do you design a frac pattern? How do you
20 go about deciding what that would be for that second well, is that any different from
21 the first well?

22 RICK TOOTHMAN: It doesn't change dramatically, although, I'll say
23 the designs certainly...I mean, they certainly evolve and there's different things that
24

1 we will try. Regular frac models that are out there, theoretically frac models, don't
2 apply very well to coal. They weren't designed for coal so part of that is just
3 experience both on results and experience that we've gained through actual mine
4 back observations as to what we do. It may not be a great answer, but that's
5 somewhat trial and error. And the closer you get you wouldn't necessarily be
6 designing to get out as far in the coals. So, you know, we may cut job sizes back
7 slightly, but it depends on the performance of the area.

8 BENNY WAMPLER: Other questions of this witness?

9 BRUCE PRATHER: I've got one more question.

10 BENNY WAMPLER: Mr. Prather.

11 BRUCE PRATHER: On the graph that you've got here, the first two
12 hundred days these wells look like their conventional wells. In other words, you
13 should start real low and then build up for six or eight months and then reach the
14 pinnacle up there. Is there some reason that those wells are, you know, emulating
15 a conventional well on that first there...I mean, the rest of the curves look all right?

16 RICK TOOTHMAN: Yeah, it's...it's not atypical. I mean, I can...with
17 experiences out there I can show you frac wells that will emulate conventional wells
18 with a peak immediately and just kind of hyperbolic type of decline. I can show you
19 wells that over five or six years that have inclined and continue to incline and I can
20 show you something in between. That's why we really try to look at an average
21 performance to some extent. Very early time one of the benefits that you may see
22 with an infill well is the fact that although you are not producing a lot of gas, you
23 know, some of the water may actually be removed from the initial well so you might

24

1 get a little greater response as a result of that.

2 BENNY WAMPLER: Call your next witness.

3 MARK SWARTZ: That's all I have.

4 BENNY WAMPLER: Mr. Arrington, would you discuss due diligence
5 with us?

6 LESLIE ARRINGTON: Yes, sir. Yes, we mailed by certified mail on
7 January 18, 2008 and this one was published in the Bluefield Daily Telegraph on
8 January 24th of '08.

9 BENNY WAMPLER: And is that the...how did you go about deciding
10 who that would be noticed?

11 LESLIE ARRINGTON: We...well, we already had in the vast majority
12 of the units we already had the property mapped and we just took all of that property
13 information and sent out notices to every person that had been noticed in the original
14 units.

15 BENNY WAMPLER: And that would have included what as far as
16 ownership?

17 LESLIE ARRINGTON: Coal, oil and gas owners and lessees.

18 BENNY WAMPLER: I asked that question because I thought that Mr.
19 and Mrs. Dye had some ownership in that unit...in those units, I don't know if that's
20 the case or not.

21 LESLIE ARRINGTON: In this area over here they did.

22 BENNY WAMPLER: Not in this one here today?

23 LESLIE ARRINGTON: This...the first one is the Middle Ridge---.

24

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1 BENNY WAMPLER: I'm just talking about the one that you...that we're
2 having a hearing on right now.

3 LESLIE ARRINGTON: That would be...that's docket item number two?

4 BENNY WAMPLER: Yes.

5 LESLIE ARRINGTON: I think they may be in the other one.

6 BENNY WAMPLER: Folks, while they're checking some of you may
7 have walked in late, we're going to do a tornado drill in probably five minutes or less
8 and when we do as just a reminder go down stairs orderly and then in the
9 center....interior building away from any glass is where they will want you to be.
10 Everyone will have to be out. They'll require you to do that. It is a drill that's
11 required statewide.

12 LESLIE ARRINGTON: I'll have to get a map.

13 BENNY WAMPLER: Other questions from members of the Board on
14 this application? Do you have anything further, Mr. Swartz?

15 MARK SWARTZ: No, I do not.

16 BENNY WAMPLER: Is there a motion?

17 BRUCE PRATHER: I make a motion to approve.

18 BENNY WAMPLER: Motion to approve. Is there a second?

19 MARY QUILLEN: Second.

20 BENNY WAMPLER: All in favor signify by saying yes.

21 (All members signify by saying yes.)

22 BENNY WAMPLER: Opposed, say no.

23 (No audible response.)

24

1 BENNY WAMPLER: You have---.

2 KATIE DYE: I abstain.

3 BENNY WAMPLER: You have approval. One abstention, Mrs. Dye.

4 You wanted to go to thirteen and fourteen?

5 MARK SWARTZ: If we could.

6 BENNY WAMPLER: Do we need to...Mr. Toothman, is there any need

7 for him to have any further discussion? Was it just related to what we talked about?

8 MARK SWARTZ: Well, his testimony would essentially be the same

9 science of the same engineering unless there was something peculiar in these areas

10 that caused you to have question. So, I wasn't going to ask any----.

11 BENNY WAMPLER: So we would carry his testimony is what I'm

12 getting at---?

13 MARK SWARTZ: Forward.

14 BENNY WAMPLER: ---to thirteen and fourteen?

15 MARK SWARTZ: Correct. And Les' testimony where he located the

16 areas, that would...that would be great.

17 BENNY WAMPLER: All right. Next item on the agenda, I'm going to

18 go ahead and jump to that since we've...while it's fresh on the Board's mind, the

19 thirteen petition.....do you want to combine those two? Are they being combined or

20 not?

21 MARK SWARTZ: Well, they could be. I mean they're----.

22 BENNY WAMPLER: Well, it's different...it's different areas though.

23 Yeah, let's...let's keep it separate because of the Nora and Oakwood difference.

24

1 Thirteen is a petition of CNX Gas Company, LLC for modification of the Nora coalbed
2 field rules to allow for drilling of an additional well in several units there in VGOB-
3 89-0126-0009-22. And the units affected are AV101 to AV105, AW101 to AW105,
4 AX101 to AX105, AY101 to AY105, AZ101 to AZ105, BA101 to BA105. We'd ask
5 the parties that wish to address the Board in this matter to come forward at this time.

6 MARK SWARTZ: Mark Swartz, Rick Toothman and Les Arrington
7 again.

8 BENNY WAMPLER: Let the record show there are no others. You
9 may proceed.

10 MARK SWARTZ: Mr. Chairman, I would like to incorporate the
11 testimony of these witnesses in the hearing that we've just heard and I have one
12 question for Mr. Toothman.

13 BENNY WAMPLER: That will be incorporated. You may proceed.

14

15 RICK TOOTHMAN

16 DIRECT EXAMINATION

17 QUESTIONS BY MR. SWARTZ:

18 Q. Mr. Toothman, would your testimony with regard to the
19 science, the engineering, and the benefits of infill drilling that you just gave with
20 regard to the Middle Ridge field also be your testimony if inquiries were made with
21 regard to this petition that we have to add some infill drilling units to the Nora field?

22 A. Yes...yes, it would.

23 MARK SWARTZ: That's all I have.

24

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1 BENNY WAMPLER: Go ahead and proceed.

2 MARK SWARTZ: Okay.

3

4 LESLIE K. ARRINGTON

5 DIRECT EXAMINATION

6 QUESTIONS BY MARK SWARTZ:

7 Q. Then, I would ask Mr. Arrington if...what he did if anything to
8 notify people that we would be having a hearing on the petition concerning adding
9 infill drilling units in the Nora area?

10 A. That was mailed by certified mail on February 15, 2008. It
11 was published in the Bluefield Daily Telegraph on February 23, 2008.

12 Q. And when you were assembling the names of people to
13 whom you wanted to mail what did you do to do that?

14 A. We took what well applications that we----.
15 (Tornado drill.)

16 BENNY WAMPLER: I call the meeting back to order. Proceed with
17 the testimony. I guess, just start over and ask Mr. Arrington again.

18 Q. I think I was asking you how you put the list together in
19 order to notify people?

20 A. Yes. We attempted to put together all the names and
21 addresses from our existing division orders and we mailed by certified mail February
22 15, 2008 and published in the Bluefield Daily Telegraph on February 23, 2008.

23 Q. And have you filed the certificates with regard to mailing and
24

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1 proof of publication with Mr. Wilson?

2 A. Yes, we have.

3 MARK SWARTZ: That's all I have, Mr. Chairman.

4 BENNY WAMPLER: When you ..just a question, when you advertise

5 in the local paper, why do you put Bluefield Daily Telegraph?

6 LESLIE ARRINGTON: The biggest reason we would either use

7 Bluefield or the Bristol paper and the biggest reason is it's a daily publication. I do

8 understand the new regulation that's out there to use a weekly paper in the county

9 that it is in. But that's the reason we've been using them is because it is a daily.

10 BENNY WAMPLER: All right. Proceed.

11 MARK SWARTZ: That's all I have.

12 BENNY WAMPLER: Questions from members of the Board?

13 (No audible response.)

14 BENNY WAMPLER: For all of the reasons...Mr. Toothman, that you've

15 stipulated before, for those same reasons, do you believe that based on the technical

16 data you've actually seen supplied from the other infill drilling that these...in each of

17 these units one additional well will increase both recovery of the reserve and the

18 speed in which they recover it?

19 RICK TOOTHMAN: Yes, sir, I do.

20 BENNY WAMPLER: Questions from members of the Board?

21 (No audible response.)

22 BENNY WAMPLER: Is there a motion?

23 BRUCE PRATHER: I have a question.

24

1 BENNY WAMPLER: Mr. Prather?

2 BRUCE PRATHER: Mr. Toothman, have you all ever done any
3 production logs on these wells to see exactly which one of your zones is the most
4 dominant?

5 RICK TOOTHMAN: Yes, sir, we have. Historically, although it is
6 difficult to do---.

7 BRUCE PRATHER: I understand that.

8 RICK TOOTHMAN: ---in a coalbed methane well, and the reason, I
9 mean, I explained to the Board, is that it's...and for those who don't know what it is,
10 it's kind of like dropping a tool down a hole that's sort of like a fan, it's going to be
11 spinning pretty rapidly at the surface and when you get below a gas bearing zone it
12 will slow down because you don't have as much gas causing it to turn and therefore
13 you can allocate the production to the zones. The problem in coalbed methane is by
14 the time you take your tubing and rods out of the hole with the associated water a
15 lot of the bottom of the section of the hole is filled with water. So, you know, you
16 have to kind of have to adjust for that. But, in fact, we have done it and what it
17 showed was that we had gas, you know, effectively coming out of all the coals,
18 although it was not the same in all wells, even though we tend to group some coals
19 together when we stimulate maybe three or four coals at a time and what it showed
20 from well to well is that the relative contribution of the coals in that interval remained
21 about the same but in one case you had a dominant seam and when you move one
22 well over that dominant seam might have changed, it might have been one of the
23 others. And that's kind of eludes to the question earlier where I said we didn't

24

1 include it in any model results, you know, simulators are computer modeling but we
2 feel that with time that will be an added benefit that, you know, just due to statistical
3 averages we're probably going to do a better job of getting into some coals that, you
4 know, weren't contributing here but just the second well in there may pick up some
5 additional gas. I hope that answered your question.

6 BRUCE PRATHER: That answered the question.

7 BENNY WAMPLER: Other questions?

8 (No audible response.)

9 BENNY WAMPLER: Do you have anything further?

10 MARK SWARTZ: No, I do not.

11 BENNY WAMPLER: Is there a motion?

12 BRUCE PRATHER: Motion to approve.

13 MARY QUILLEN: Second.

14 BENNY WAMPLER: Any further discussion?

15 (No audible response.)

16 BENNY WAMPLER: All in favor signify by saying yes.

17 (All members signify by saying yes.)

18 BENNY WAMPLER: Opposed say no?

19 KATIE DYE: Abstain.

20 BENNY WAMPLER: You have approval. One abstention, Mrs. Dye.

21 Next is number fourteen, a petition from CNX Gas Company LLC for modification of
22 the Oakwood I Field Rules to allow for drilling of additional well in units Q24, 25, 26
23 and R23, 24, 25, and 26. This is VGOB-93-0216-0325-13. We'd ask the parties
24

1 that wish to address the Board in this matter to come forward at this time.

2 MARK SWARTZ: Mark Swartz, Les Arrington and Rick Toothman once
3 again.

4 BENNY WAMPLER: Let the record show there are no others, you
5 may proceed.

6 MARK SWARTZ: I'd like to incorporate if I could their testimony from
7 the prior hearings.

8 BENNY WAMPLER: That will be incorporated.

9

10 LESLIE K. ARRINGTON

11 DIRECT EXAMINATION

12 QUESTIONS BY MARK SWARTZ:

13 Q. Mr. Arrington, what did you do with regard to notice...noticing
14 the hearing concerning the Oakwood modification?

15 A. This was mailed certified mail on February 15, 2008 and
16 published in the Bluefield Daily Telegraph on February 23, 2008.

17 Q. And did you provide Mr. Wilson with the proofs of publication
18 and the certificates with regard to mailing?

19 A. Yes, we did.

20 Q. There are actually seven Oakwood units that are the subject
21 of this application?

22 A. Yes, sir.

23 Q. And we've previously showed where they were?

24

--

1 A. Yes.

2 Q. ---on the map, right?

3 A. Yes, we have.

4 BENNY WAMPLER: Would you show us again?

5 MARK SWARTZ: Yes, sir.

6 A. Right here would be...that area would be Oakwood field.

7 We've...what we've done, we've gone all the way around it and I've just missed that
8 little area that's been mined all the way around doing infills.

9

10 RICK TOOTHMAN

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. SWARTZ:

13 Q. Mr. Toothman, we've been here before a number of times
14 before on the Oakwood area?

15 A. That's correct.

16 Q. All right. Do you have even more data with regard to the
17 Oakwood area?

18 A. Yes, we do.

19 Q. And is that data generally consistent with the findings that
20 you've discussed today in the two areas that you've discussed today with the Board?

21 A. Yes, it is.

22 Q. So, the same principals would obtain in the Oakwood area
23 and we even have better data to suggest that they obtained that?

24

--

1 A. Yeah, we've got a longer history.

2 MARK SWARTZ: That's all I have, Mr. Chairman.

3 BENNY WAMPLER: Questions from members of the Board? The

4 application on this one doesn't reference the additional well being in the window of

5 600 feet from the others...of the well.

6 MARK SWARTZ: Well, there's just all sorts of creative things that

7 happen when word processors are becoming loose.

8 BENNY WAMPLER: Mr. Arrington?

9 LESLIE ARRINGTON: Okay, yes. We'll agree to do so.

10 BENNY WAMPLER: Questions from members of the Board?

11 BOB WILSON: Mr. Chairman?

12 BENNY WAMPLER: Mr. Wilson.

13 BOB WILSON: Maybe, just for the record, we should clarify on all

14 these that we are going to construct the order that results from these approvals and

15 the manner of the previous orders in which all wells will be required to be within the

16 interior window subject to certain remedies if they are not and they must be a

17 minimum of 600 feet separation between the first and second well.

18 MARK SWARTZ: But that area is the second well?

19 BOB WILSON: Yes.

20 MARK SWARTZ: Because we could have units where we have a first

21 well outside of the window.

22 BOB WILSON: Yes, but it's going to be really hard for you to

23 convince me to...that you could put one in the unit now and you couldn't several

24

1 years ago.

2 MARK SWARTZ: But it could happen.

3 BOB WILSON: It could happen.

4 MARK SWARTZ: We could have longwall mining.

5 BENNY WAMPLER: Okay. Any further questions from members of

6 the Board?

7 (No audible response.)

8 BENNY WAMPLER: Is there a motion?

9 BRUCE PRATHER: Motion to approve.

10 MARY QUILLEN: Second.

11 BENNY WAMPLER: Second. Is there any further discussion?

12 (No audible response.)

13 BENNY WAMPLER: All in favor signify by saying yes.

14 (All members signify by saying yes.)

15 BENNY WAMPLER: Opposed say, no. You have approval.

16 KATIE DYE: Abstain.

17 BENNY WAMPLER: One abstention, Mrs. Dye. Okay, we're back to

18 number three on the agenda. A petition from Equitable Production Company for

19 modification of the Nora coalbed gas still to allow for drilling of an additional well in

20 unit BT41. This is docket number VGOB-89-0126-0009-21 continued from

21 February. We'd ask the parties that wish to address the Board in this matter to

22 come forward at this time.

23 JIM KAISER: Mr. Chairman, Jim Kaiser on behalf of Equitable

24

1 Production Company. We would ask the Board's indulgence if we could take number
2 three and connect it to number twenty-two. We're going to combine those two,
3 they're....those units are almost adjoining. And all of our exhibits reflect a
4 combination of those two applications.

5 BENNY WAMPLER: I'll also go ahead and call item twenty-two on the
6 Board's agenda, a petition from Equitable Production company for modification of the
7 Nora Coalbed Gas Field Rules to allow for drilling of an additional well in unit BT45,
8 docket number VGOB-89-0126-0009-23. We'd ask the parties that wish to address
9 the Board in this matter to come forward at this time.

10 JIM KAISER: Do you want...did you say you want to go ahead and do
11 those now rather than wait until twenty-two?

12 BENNY WAMPLER: Well---.

13 JIM KAISER: Does it make any difference to you?

14 GARY BAXTER: No.

15 JIM KAISER: I didn't know whether you were going to move us
16 twenty....move three to twenty-two or move twenty-two to three, either way is fine
17 with us.

18 BENNY WAMPLER: Let's just do it now.

19 JIM KAISER: All right. Mr. Chairman and Board members, the
20 witnesses in this matter will be Mr. Gary Baxter and Ms. Rita Barrett. We'd ask that
21 they be sworn at this time.

22 (Rita Barrett and Gary Baxter are duly sworn.)

23 BENNY WAMPLER: Let the record show there are no others. You
24

1 may proceed.

2 JIM KAISER: Ms. Barrett, while you were out we are going to go
3 ahead and combine these.

4 RITA BARRETT: Okay.

5 JIM KAISER: I guess, Gary, if you'll hand out your exhibits we'll start
6 with Ms. Barrett.

7

8 RITA BARRETT

9 DIRECT EXAMINATION

10 QUESTIONS BY MR. KAISER:

11 Q. Ms. Barrett, we'll start with BT41. Does Equitable own
12 and/or control or have leased all the acreage within the unit for...that's designated
13 as BT41?

14 A. Yes. That's our lease with Standard Banner Coal Company,
15 a 100%

16 Q. Have all....have all parties been notified that own an interest
17 in the---?

18 A. Yes.

19 Q. ---coal, oil or gas, all the mineral owners being Standard
20 Banner Coal and Wellmore Energy Company?

21 A. Yes.

22 Q. Okay. And as to unit BT-45, does Equitable have leased to
23 own or control all the acreage within that unit?

24

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1 A. Yes.

2 Q. And all the coal, oil and gas owners have been notified by
3 certified mail?

4 A. That's correct.

5 Q. And does that include Standard Banner, Wellmore Energy,
6 Range Resources-Pine Mountain, Alpha Land & Reserves, WBRD, LLC and ACIN,
7 LLC?

8 A. That's correct.

9 Q. Okay.

10 BENNY WAMPLER: For both of these, what did you do to notify
11 them?

12 JIM KAISER: We sent them a copy of the application and all exhibits
13 by certified mail return receipt requested.

14 BENNY WAMPLER: Do you agree with that?

15 RITA BARRETT: I do.

16 JIM KAISER: That's all I have of Ms. Barrett, Mr. Chairman.

17 BENNY WAMPLER: Questions from members of the Board of Ms.
18 Barrett?

19 (No audible response.)

20 BENNY WAMPLER: Call your next witness.

21 RITA BARRETT: I will point one thing out, if I may. I'll pass these
22 plats around. They are certified plats by a surveyor. On the unit BT41, the existing
23 well is outside the interior grid. We did that to accommodate mining and then we
24

1 were told by the mining company that they had no plans in here so we could place
2 our infill well in the interior.

3 JIM KAISER: So, here we already have a situation you were just
4 talking about.

5 BENNY WAMPLER: For BT41?

6 RITA BARRETT: Yes, sir. And I'll pass this around.

7 BENNY WAMPLER: Okay.

8 JIM KAISER: Yeah. The only location that the coal owner would
9 approve for the first well was outside the window and then I'm assuming we got an
10 exception for that in the permit process and now, as Ms. Barrett stated, the for the
11 second well increased density well they have no plans I guess it would be to the
12 northwest and so it's okay to put...or they've approved the location of the second well
13 within the interior window. BT-45, while we're at that, it...the second well is
14 actually...it looks like it's right on the line, but according to our survey it's actually 10
15 feet within the window in that particular unit so both the wells are within the window
16 on BT-45.

17 RITA BARRETT: Yes.

18 JIM KAISER: Is that correct?

19 RITA BARRETT: That's correct.

20 JIM KAISER: All right.

21 GARY BAXTER

22 DIRECT EXAMINATION

23 QUESTIONS BY MR. KAISER:

24

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1 Q. Mr. Baxter, if you'd state your name, who you're employed
2 by and in what capacity?

3 A. Gary Baxter, Equitable Production Company, operations
4 engineer.

5 Q. And you've previously testified before the Board on these
6 increased density hearings?

7 A. That's correct.

8 Q. Okay. Could you, go along with the exhibits you've just
9 passed out, explain to the Board what Equitable's plan is in these two units?

10 A. Okay. First off, I handed out these two packets and the only
11 difference between the packets are the first page. I'll start with where it says Exhibit
12 A, Middle Fork increased density Nora field. This is a map depicting unit BT-45 and
13 then in the other packet is the first page is a map depicting unit BT41. But from the
14 first page and beyond it's the same exact packet. So, I will just continue with the
15 next page. This map right here is showing the areas where we've asked for the
16 second well to be granted in the unit---

17 BENNY WAMPLER: That's exhibit B?

18 A. Exhibit B, right. The Sally Branch area, Lick Creek area,
19 Lambert land and today we're going to be talking about an area, the Middle Fork
20 area. The grey units are the units where the second well was granted and the two
21 units in green are the ones that we are discussing today. The next page, Exhibit C-
22 --.

23 Q. Let's actually make that first one C because Exhibit B in the
24

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1 application is a list of people who received notice. That first one will be C and this
2 one will be D.

3 A. Exhibit D is a graph...is a production graph depicting
4 the...green line is showing the first well only in the unit in the 16 Middle Fork units
5 and an average production in the red line is the first well plus the second well drilled.
6 The incremental rate is 1.4 in mmcf per day. The next page is a Middle Fork
7 average EUR calculation. The first well in the units average EUR is 318 mmcf per
8 day per well. We're using a 65 percentage of the first well attributed to the second
9 well which would give the second well an EUR of 207 mmcf per well for a total unit
10 EUR of 525 mmcf per the 60 acre unit.

11 BENNY WAMPLER: Do you want to remind the Board of what EUR
12 is?

13 GARY BAXTER: Estimated ultimate recovery.

14 BENNY WAMPLER: Questions from members of the Board?

15 (No audible response.)

16 BENNY WAMPLER: Do you have any other questions of your
17 witness?

18 JIM KAISER: No, sir, not at this time.

19 BENNY WAMPLER: Your second well in the...Exhibit D, these are 16
20 units that you have put a second well in, is that correct?

21 GARY BAXTER: Correct.

22 BENNY WAMPLER: Over this period of time shows somewhat of a
23 decline rather than an increase, right? Your first well declines, is that what—?

24

1 GARY BAXTER: Slightly.

2 BENNY WAMPLER: Is it your opinion that you're in these un...in each
3 of these units that you are increasing recovery as well as the speed in which you
4 recover?

5 GARY BAXTER: I believe so, but I think it's still too early to tell
6 whether or not we're going to be speeding the life of the well...to the end of the life
7 of the well.

8 BENNY WAMPLER: Based on...why do you make that statement?

9 GARY BAXTER: Well, the decline in some...some of this decline may
10 be factors related to the production equipment on the well. This may be due to the
11 service equipment or line pressure issues. It's hard to tell. So, I still don't think we
12 have enough data to...I think we will speed it up, but I'm not sure if we've got
13 enough data to indicate that yet.

14 BENNY WAMPLER: What's the factor that would....that you use to sell
15 that second well to the people you have to convince that you're making a wise
16 decision by doing...by spending another three hundred and some thousand dollars?

17 GARY BAXTER: Based on the economics of the well.

18 JIM KAISER: Yeah. I think basically what he's driving at is his
19 question was...Gary, and I'll kind of reiterate it for you, is are seeing by the sixteen
20 wells not only a more efficient and greater recovery of the gas underlying this unit,
21 but also a faster recovery of that gas and I think you're answer would be yes or you
22 wouldn't be doing this?

23 GARY BAXTER: Correct.

24

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1 BRUCE PRATHER: I have a question.

2 BENNY WAMPLER: Mr. Prather.

3 BRUCE PRATHER: The wells that you're comparing the new wells to,

4 you've got a typical coalbed methane production increase on the first two or three

5 months and then it's like a conventional well. How come your...on your new well,

6 how come you aren't showing a curve in the beginning that's similar to what you

7 have on your first two or three months there? Why is it taking, it would be what six

8 or eight months...when on the one that you're comparing it to you've got that kick in

9 the gas there about two months. Is there any reason for that?

10 GARY BAXTER: I don't...I don't think these wells were shifted to store

11 at----.

12 BRUCE PRATHER: To represent time?

13 GARY BAXTER: Right.

14 BRUCE PRATHER: Okay.

15 BENNY WAMPLER: Other questions?

16 (No audible response.)

17 BENNY WAMPLER: Do you have anything further?

18 JIM KAISER: We'd ask that the applications be approved as

19 submitted, Mr. Chairman.

20 BENNY WAMPLER: Is there a motion?

21 BRUCE PRATHER: Motion to approve.

22 BENNY WAMPLER: Is there a second?

23 PEGGY BARBER: Second.

24

1 BENNY WAMPLER: Any further discussions?

2 (No audible response.)

3 BENNY WAMPLER: All in favor signify by saying yes.

4 (All members signify by saying yes.)

5 BENNY WAMPLER: Opposed say, no.

6 (No audible response.)

7 BENNY WAMPLER: You have approval. The next will be four on the
8 agenda for today. The Board will hear testimony from Equitable Production Company
9 regarding discrepancies between gas production to the state and that reported royalty
10 owners of ceratin properties in the Kennedy district. This is docket number VGOB-
11 08-0219-2154. We'd ask the parties that wish to address the Board in this matter
12 to come forward at this time.

13 JIM KAISER: Mr. Chairman, Board Members, Jim Kaiser on behalf of
14 Equitable Production. My witness would be Mr. Kevin West.

15 BENNY WAMPLER: You need to tell us who you are.

16 CHARLES BARTLETT: Okay. I'm Charles Bartlett representing the
17 Baker family interest in this problem.

18 BENNY WAMPLER: Thank you, Mr. Bartlett.

19 JIM KAISER: I'll start with Mr. West.

20

21 KEVIN WEST

22 having been duly sworn, was examined and testified as follows:

23 DIRECT EXAMINATION

24

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1 QUESTIONS BY MR. KAISER:

2 Q. Mr. West, if you'd state your name for the Board, who you're
3 employed by and in what capacity?

4 A. My name is Kevin West.

5 (Kevin West is duly sworn.)

6 A. My name is Kevin West. I'm vice president and general
7 counsel of Equitable Production Company.

8 Q. And, Mr. West, I guess several months ago during the public
9 comments period that follows the Board hearing each month Mr. Bartlett expressed
10 he represents the Baker heirs who have an interest in quite a few Equitable units.

11 CHARLES BARTLETT: About twenty.

12 Q. About twenty. And he expressed a concern about some
13 discrepancies that occurred between the royalty mine and gas reported on his clients
14 royalty statements versus the amount that had been reported to the state. So, you
15 kind of stepped in to investigate that. We held a meeting with Mr. Bartlett at his
16 office in Abingdon on March 5th and then kind of looked at what kind of records
17 everybody had and both of you all went back to the well again and looked some
18 more. Can you kind of explain to the Board what we found and how and where we
19 think the discrepancy occurred and where it is?

20 A. I can. As Mr. Kaiser said, we met with Dr. Bartlett on March
21 5th. We went over some records that he had. I met with her folks prior to that
22 actually that are involved in royalty calculations. There was a period of time I think
23 between 2002 and some time in 2004 where the statement that the Baker heirs

24

1 received that actually reflected that the volumes...the sales volumes had gone on
2 which their royalties were calculated were in excess of the production volumes that
3 were reported to the Division. We took a look at that and ultimately determined that
4 after talking with Dr. Bartlett, that there was an accounting adjustment that was done
5 by no means an expert in computers or accounting, but there was an accounting
6 adjustment done which caused the royalty statements that some of the Baker's heirs
7 received to reflect that the volumes were actually twice almost...or almost exactly
8 twice of what the production volumes were. So, as a result, they were paid, I guess,
9 on volumes that were twice upon what actually the production volumes were. And
10 Dr. Bartlett and I discussed that last week certainly although that would reflect that
11 there may have been an overpayment, Equitable has no intention of trying to recoup
12 that in any fashion because that was our mistake.

13 Q. So, there was an error made in favor in a couple of Dr.
14 Bartlett's clients because apparently you had to clear some things up or something
15 you make some sort of accounting adjustment where it doubles everything and then
16 it's supposed to amend it back to where it was and on this particular interest for
17 whatever reason that didn't happen?

18 A. That's correct.

19 Q. And as such, they were paid on a greater volume of gas
20 than was actually produced and Equitable is not going to net that back from any
21 future royalties, and that's their...your mistake and their money to keep?

22 A. That's correct.

23 CHARLES BARTLETT: The Baker's will appreciate that very much.

24

1 BENNY WAMPLER: Do you have anything further Mr. Bartlett?

2 CHARLES BARTLETT: Yes, sir.

3 BOB WILSON: Mr. Chairman, while he's passing that out may I ask a

4 question?

5 BENNY WAMPLER: Sure.

6 BOB WILSON: Am I to understand then that you still maintain the

7 production as reported to the state is true and correct?

8 KEVIN WEST: Yes, we've confirmed that on a number of times in the

9 production that we've reported to the state is correct.

10 BOB WILSON: Thank you.

11 CHARLES BARTLETT: As Paul Harvey would say, I now want to

12 represent to you the rest of the story. Some of the things that led to this I want to

13 share with you because I feel that a lot of people are in the same boat. Very few of

14 you are royalty owners, if there are some here, are aware of what is reported to the

15 state because on your royalty statements that is never mentioned. And so by

16 accident when I was awaiting the distribution of some escrowed monies for the

17 Baker's, I went to the state office here and got an accounting of what has been

18 reported, which I thought was what was going to be reported ultimately to the

19 Bakers. In this first sheet that the Board members have there is one of the

20 examples that I presented in January, which showed these differences and on the

21 third column I guess it is you see what was reported to the Baker's just mentioned

22 that...and I said at that time that either there's a...less being reported to the state

23 than was reported to the Bakers and/or the Bakers was getting more than they were

24

1 supposed to and the Bakers owed Equitable some money back. I think in this one
2 they are not going to ask us to do that. I appreciate that. But that's where it came
3 from and you can see that continued in this particular well from September, 2002
4 to...through September, 2003 and that is indicated on what I had given you
5 previously.

6 BENNY WAMPLER: We're going to call that first Exhibit A.

7 CHARLES BARTLETT: That's fine. The next sheet I think I may have
8 presented to you also at the January session, which is just my accounting sheet for
9 the Bakers for this particular well which I do for all of their wells so that I can track
10 what is being given.

11 BENNY WAMPLER: Let me verify that's this sheet?

12 CHARLES BARTLETT: Yes.

13 BENNY WAMPLER: That will be Exhibit B.

14

15 CHARLES BARTLETT: It's marked B on the corner of it. And it's well
16 number 15 on the Caney Creek tract. So you see the same thing there and the
17 continuation of it. Well, look at the continuation after September and you'll see that
18 consistently from there on the reports to the Bakers what they get from their royalty
19 sheets is shown as less than what is reported to the state and I didn't know why at
20 the time. Now I do. I guess Exhibit number C is actually three sheets which is the
21 reporting of a portion of their royalty statement in several of their wells that had been
22 regularly reported plus the release of a number of escrowed wells occurred. And
23 that occurred because of a release from Pine Mountain Oil and Gas Company Exhibit
24

1 B, if you want to mark it that, a letter from Jerry Grantham signed by the vice
2 president of Pine Mountain Oil and Gas Incorporated which was addressed to
3 Melanie Freeman on June 26, 2006. There were five wells that we had requested
4 be released and that was ultimately done by this letter. I will read to you a portion
5 of that first paragraph which says "Pine Mountain waives its claim to the escrow
6 royalty proceeds related to the Paul B. Leggard, Emily P. Baker and Elizabeth Ann
7 Cox portions of the William G. Baker heirs portion of this well...or these well units
8 really and the request that it be released." This was June 26, 2006. It was more
9 than fourteen months later that that was finally done. What takes so darn long for
10 something to be released after the contending party has released it? And these and
11 all of the other documents that have been examined and it was clear that the Bakers
12 owned this gas. Now, I guess, where are we, Exhibit ----?

13 BENNY WAMPLER: It would be E.

14

15 CHARLES BARTLETT: E, I had in our discussions a few days ago
16 inquired about how this difference in production reporting came about. Of course,
17 there is a meter at every well and so I've shown on the diagram an example of a
18 couple of wells on a Baker unit. This is not exactly as it is, it's just a hypothetical of
19 how things might be looked at. I don't know that they are and I couldn't give it an
20 answer in our discussions from the three parties there as to exactly how things were
21 hooked up but there was a statement that there was a meter at wells and there was
22 a meter also where the well goes into the main pipeline and that that difference in
23 reporting is due to the differences in those two meters. Thus, the amount that is

24

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1 sent to the state it is on their records is for each well at the well head. The amount
2 that is reported to the Bakers is the meter reading as it is about to go into the main
3 pipeline. Look at the diagram. It is very possible that there is leakage after...if there
4 is a compressor there or even if there isn't there is a possibility that there is leakage
5 getting from the well to the meter that goes into the main pipeline. Why else would
6 there be a difference in the numbers that are reported to the Bakers or to any other
7 heirs in the same situation or any other owners? I don't know how much is used by
8 the compressor. That is the only part that is allowed by the lease. So, we have
9 Exhibit F and you will see that as the oil and gas lease dated November 19, 1975,
10 over thirty years ago, when the Bakers signed a lease and wells were finally begun
11 to be drilled on this lease. This is on the Big Branch of Caney Creek. On the back
12 side of this in the key paragraph let me read to you what it says: "As a royalty
13 lessee agrees to deliver to the credit of the lessor heirs or assignors free of cost and
14 to the tanks or pipe lines to which it may connect it's well or wells the equal one-
15 eighth part of all oil produced and saved from the leased premises," implied also to
16 gas, "and the lessee agrees to pay a royalty for all gas except stored gas," and there
17 is none, "and gas produced from the storage horizon," which there is none, "or
18 horizons produced saved and marketed from the leased premises at the rate of one-
19 eighth the proceeds received by the lessee at the well." There is also the option to
20 allow for free gas, I'll just summarize that, for operating equipment on the premises
21 of the Bakers. The only operational feature which might use some of the Bakers gas
22 is possibly a compressor from time to time. There's no record though yet of how
23 much gas is used for that purpose. So, the Bakers get something not clarified in any

24

1 way taken from them for a difference in what actually goes into the main pipeline. If
2 you'll look back for a moment, though, at Exhibit C...B, which is the example that I
3 gave you on one of the remittent statements from Equitable to the Baker's for several
4 wells. There is noted there the gross volume, which is not the gross volume. That's
5 the volume going into the pipeline. So, there is a deduction there and a loss to the
6 Bakers of possibly some gas that is actually leaking out of the pipeline or in some
7 way didn't get to that last bleeder. Then there's an item in the next to the last
8 column called gross deducts, total for this first item on this sheet of \$659.93. And
9 the Baker heirs, there are three of them, portion of that is \$18.50. I don't know
10 what that is. What is a gross deduct? It needs to be clarified.

11 BENNY WAMPLER: For the record, this is Exhibit C that you're
12 talking.

13 CHARLES BARTLETT: C, okay. And then the last Exhibit which
14 would be G...H, whatever, I just pulled up an example from my own records of some
15 royalties that I received on some wells in Arkansas...northwest Arkansas. You'll
16 notice from the very first one, the A. B. Brown well, that over to the right there is
17 noted a deduction for transportation because I am just an overriding royalty owner
18 there and not a land owner, the compression sixty-seven cents, the conservation tax,
19 all itemized there very clear to me as to what money is being taken out for what
20 reason. So, the prompting of this is simply we need to have a better reporting to the
21 owners of this gas as to what money is being taken out and why and is it being
22 taken out correctly, in which in this case that I gave you it is probably incorrect
23 because on the gas that should be subtracted is that being used on site and none
24

1 for losses for somebody else's pipeline or a pipeline that these wells might ultimately
2 go into. And then I was informed that there is also a deduction for losses on the
3 main pipeline in what is paid for the gas after it goes through that last meter in
4 setting up the charges. This I learned for the first time at our discussion a few days
5 ago. Why do the owner's of the gas have to pay for losses on the main pipeline?
6 All of these are matters for you to ponder and I hope for somebody to come up with
7 some answers that are fair to the land owners who own this gas. Thank you.

8 BENNY WAMPLER: Thank you, Dr. Bartlett. Do you have any
9 response?

10 KEVIN WEST: Okay. I didn't know if you wanted to ask a question or
11 not.

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KEVIN WEST

16

DIRECT EXAMINATION RESUMES

17 QUESTIONS BY MR. KAISER:

18 Q. How would you respond to the issues that Dr. Bartlett has
19 presented here?

20 A. Well, as we said, we met with Dr. Bartlett on March 5th. It
21 was our understanding that the scope of the Board's inquiry was with regard to any
22 difference that there might be between production volumes, which we've reported to
23 the Board and sales volumes upon which the royalties are calculated. The lease that

24

--

1 Dr. Bartlett referred to, I think that if you look at the actual proportion that addresses
2 gas royalties, which is I think this is the sentence below the one that he read, it talks
3 about gas produced from the premises which are produced, saved and marketed.
4 We explained to Dr. Bartlett that with regard to, and I think that he's acknowledged
5 that there is...we are permitted to deduct for fuel but used with regard to our
6 operations on the premises, and we explained to him that about...or differences that
7 can be seen on, I guess on Exhibit A and some of the other documents that Dr.
8 Bartlett had submitted on behalf of the Baker heirs that showed about a 6%
9 difference between the production volumes and sales volumes. As we explained to
10 Dr. Bartlett, about 4% of that is generally accountable for fuel used on the premises.
11 The other portion necessarily when you transport gas from one point to another
12 there is going to be a certain amount that doesn't make it the entire way and this is
13 something that is recognized within the industry whenever the gas transportation
14 companies have tariffs approved. Part of the tariffs involve an understanding that
15 that is what occurred. So, we made those explanations to Dr. Bartlett and basically
16 thought that he was satisfied with the explanations. He did raise some questions not
17 necessarily specific questions, but we said we'd be happy to speak with him again if
18 he had other questions or concerns with regard to his hypothetical map here on
19 Exhibit E. This is the first opportunity we've had to look at that. So, it's difficult to
20 address his exact questions with regard to that particular exhibit but in any event that
21 was the explanation that was provided to Dr. Bartlett on March 5th and that is our
22 explanation today. I think that under the terms of the lease at issue here with regard
23 to the Baker heirs that certainly it is acceptable to have a different amount reported
24

1 for production than our other sales volumes because the actual lease contemplates
2 that royalties will be calculated on the sales volumes.

3 BENNY WAMPLER: On Exhibit B, he questions the fourteen month
4 delay in payment there. Do you have any response to that?

5 KEVIN West: I will be glad to look into that. Certainly it was my
6 understanding that the scope of today's inquiry was any difference between
7 production volumes and sales volumes, but I had a meeting on March 5th, I gave Dr.
8 Bartlett my card and said if he or the Baker heirs had any questions on any of the
9 operations on their...on the premises involved...I can't always answer the questions
10 but certainly I will get him the answers.

11 CHARLES BARTLETT: I think I did mention that fourteen month delay
12 to you at that meeting and I didn't receive any answer because you didn't know the
13 answer. I had been to Charleston and spoken to one of the ladies over there that
14 was involved with that release and she said that it was being taken care of. But it
15 took fourteen months for it to be taken care of. But this doesn't answer my question
16 I had about....are we looking at a double take here where you have a difference in
17 the volume that's reported to the state and what is reported to the Baker's? And
18 then we have gross deducts, is that another taking of monies for the same purpose
19 where you've already deducted some of the production?

20 BENNY WAMPLER: We're not going to wander into a private lease
21 agreement and that's what you have and some of those things you might want to
22 renegotiate your lease, you know.

23 CHARLES BARTLETT: No, the lease has been done thirty years ago
24

1 and it's pretty clear.

2 BENNY WAMPLER: Well, it---.

3 BOB WILSON: Mr. Chairman?

4 BENNY WAMPLER: ---must not be on some things. Go ahead Mr.
5 Wilson.

6 BOB WILSON: May I comment please and give a little bit of
7 background here. I think what you just hit on is something that the Board is going to
8 have to essentially establish a policy on if in fact things are going to change. We
9 have throughout time since I've been here as a department and as the Virginia Gas
10 and Oil Board taken an arm's length or hands off approach to private lease
11 agreements. These folks are leased. Now, when Dr. Bartlett came to the
12 Department with these problems we looked at them and the one thing that we found
13 in there that we could address was a discrepancy in reporting.

14 BENNY WAMPLER: Right.

15 BOB WILSON: At that time, we required Mr. West to go back to their
16 records and certify to us that the production as being reported to the state was
17 correct and at that time Dr. Bartlett and I met again and our answer, which I believe
18 I've provided in writing, was that this is the extent in which we could get involved in
19 that. That everything else is pretty much according to the lease terms. Now, we've
20 had several lease terms through out of here today and we get from the same
21 paragraph two different interpretations, one from Dr. Bartlett and one from Mr. West.
22 And, again, it has been our policy in the past to...if someone has a private lease
23 agreement, we tell them that their remedy is in the Court and that we cannot

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1 interpret those things. If we decide that it's otherwise, we're probably going to have
2 to meet on every Tuesday of the month rather than the third Tuesday of the month.
3 I think we'll...the Division of Gas and Oil is going to be asking for a staff of lawyers.
4 So, I think we need to kind of put something on record indicating exactly where the
5 Board stands on these private lease agreements, to what extent we get involved in
6 them and such that when we, as the staff of the Board, talk to folks we can give
7 them an absolute answer as to what the Board wants to hear, what it can hear, what
8 it can do something about.

9 BENNY WAMPLER: Thank you, Mr. Wilson.

10 SHARON PIGEON: You are correct, Mr. Wilson. The Board has no
11 authority to consider the private lease terms that you have got into. Now, the only
12 thing that the Board has the authority to address was the difference between any
13 reporting between the state and the royalty interest owners. So, I think that has
14 been addressed sufficiently today and these other questions that you have are
15 questions that you need to get satisfied directly with the producer or through a civil
16 action. It cannot be handled here and it wouldn't matter if the Board met daily
17 because the statute does not grant them that authority.

18 BENNY WAMPLER: And I was just trying to help you by seeing if
19 they would respond to what you had questions on.

20 CHARLES BARTLETT: Thank you. Well, I'm just seeking answers for
21 my clients.

22 BENNY WAMPLER: Right. Sure, we understand that. We
23 understand that.

24

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1 SHARON PIGEON: And there's no problem with you seeking those
2 answers. The Board can't take on that problem.

3 BENNY WAMPLER: Correct. We just can't address them.

4 CHARLES BARTLETT: I also thought it would be nice if you were
5 informed about these problems.

6 BENNY WAMPLER: That's why we let the testimony come in.

7 CHARLES BARTLETT: Thank you.

8 BENNY WAMPLER: Any comments or questions from members of the
9 Board?

10 (No audible response.)

11 BENNY WAMPLER: I think we've resolved the issue of reporting to
12 everybody's satisfaction. Thank you very much.

13 KEVIN WEST: Thank you.

14 BENNY WAMPLER: The next item, number five, the Board on its own
15 motion what we consider a proposal to define the boundary and unit configurations at
16 the juncture of the Oakwood and Nora methane...coalbed methane fields modified
17 field rules under docket number 89-0126-0009 and 93-2...0216-0325 as previously
18 modified. Those were continued from February. I read your lengthy discussions of
19 some of the transcripts of last month, very interesting. I didn't have a map to go by.

20 BOB WILSON: Yeah, Mr. Chairman---.

21 BENNY WAMPLER: Mr. Wilson.

22 BOB WILSON: I have a few extra copies here if any of the operators
23 are here who want to look at this...not the lawyers, the operators. Let me state that

24

1 this is the outgrowth of what we presented last month. We have actually last
2 week...late last week we forwarded this to most of the operators who are involved in
3 production in these areas for comment and for perusal. It was actually late, but then
4 most everything we've gotten out lately has been. So, what I would like to do is call
5 your attention first of all the map on the front page. You'll see that each corner of
6 the Oakwood field is numbered there. This is the Oakwood field as modified over
7 the years. You saw this on the overhead screen the last time when Matt Kent made
8 a presentation, and Matt is here by the way if we need to ask questions about this.
9 He has done most of this work and done an excellent job of it which we very much
10 appreciate.

11 BENNY WAMPLER: Just a quick reminder of what you're doing here.

12 BOB WILSON: Okay. Sorry, yeah. As a recap, we discovered some
13 time back that the boundary between the Nora and Oakwood coalbed methane fields
14 had never been defined in an order. When we found it, it was being used in various
15 ways by various operators. The initial thing that was brought before the Board was
16 that we needed to define that boundary and the makeup units that fit on that
17 boundary. As we got into the problem, we discovered that not only was that
18 boundary undefined but the entire field was not being prod...or developed as
19 according to the coordinates that were presented in previous orders. The previous
20 orders were defined based on latitude and longitude coordinates through a series of
21 conversions and such. Since we actually defined it in latitude and longitude, but the
22 state requires that everything we do be in state plane coordinates. In the process of
23 converting from one to the other, there were different shapes being used for the

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1 Oakwood field itself. So, it got a little more complicated than we anticipated right
2 away which is why we decided that our job would kind of morph into the definition of
3 the Oakwood field itself. Nora seems to be pretty well fixed, but Oakwood has over
4 the years expanded over top of Nora and that's why we needed to define this.

5 If you look at the numbers on each corner of this field starting in the
6 lower right hand corner which is the southeast most corner of the field. That's
7 number one, we just kind of cut off one on the boundaries there; and then two such
8 as in the counter clockwise fashion around the field.

9 The second page of this handout is a key to each of those numbers
10 telling how those corners were defined by us, meaning to put on this map. Now,
11 many of them were taken from plats and been submitted for units and have already
12 been drilled. Some of them were taken from plats that had wells drilled on them that
13 did not have corners defined. Those operators have provided us with the coordinates
14 of those corners so that we could define this field. Others....and again, they are all
15 annotated in here, were defined by using existing coordinate..conversion factors or
16 systems...the Corpscon System, which I believe the Corp of Engineers program for
17 converting latitude and longitude to state plane coordinates. We use that in several
18 of the areas in order to find corners then we had no plats to find.

19

20 To cut to the chase on this, basically what we had presented here is
21 an outline that first and foremost incorporates everything in this field as it has been
22 done or at least on the edges of the field. There were some shifts if you remember
23 from the last time that southeastern most corner had about a 200 foot shift in it from

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1 the original definition. We had incorporated that such that none of the existing drilled
2 units have to be changed or modified. This incorporates anything that is...anybody
3 can continue to pay their units the way they were originally doing so and it should
4 not effect that at all. The places where we had some problems were mostly again
5 on the western boundary where it overlaps Oakwood. The last page of the handout
6 that I have given you here shows in the shaded area where we proposed to use as
7 makeup units in the Nora field. The Oakwood essentially ended up using complete
8 units in all of them because the precedent is being set in many of these areas. For
9 instance, if you start at the northern end of the boundary in the northern in the top
10 side of this Exhibit I have given you those grade units there each of those units is a
11 bit skinnier than a normal Nora unit, not by much but a few acres skinnier. So, they
12 would be the makeups along there. The east to west boundary following that, if you
13 look above and below the boundary line you'll find that Nora and Oakwood units are
14 larger than the standard 80 and 60 acre units as makeups. Now, both of those
15 units have some activity in them or both of sides of that boundary have some activity
16 in it such that that precedent has been an established area as well. The
17 northwestern corner there was defined based on latitude and longitude conversion.
18 Then, as you come south along those Nora units, you can see that those are
19 considerably larger than the normal 60 acre unit. The reason for that was if we
20 used a small makeup unit there that particular area is fairly rugged, the terrain is
21 very hilly, probably you would lose a number of units if you restricted that area to the
22 small makeup units. So, we have chosen to propose combining those units into
23 larger Nora units.

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1 If you remember now, if you're following along here where you get
2 down to the last step to the west there those five units to the west, the last time we
3 were here we showed an extra unit that had been put in there that we didn't
4 probably know what to do with. We have since found out that that unit has never
5 been produced. The well that's in there...or that unit is being modified to show the
6 correct unit as shown on here and those are pretty much thick by drilling already as
7 well, not by those units themselves but for units above them that have already been
8 drilled. The south trending units then in Nora are all less than 60 acres as you can
9 see the cutouts of a couple of them there and they have already been drilled that
10 way by...all those corner units have already been drilled. So, this recognizes the
11 way they've been done.

12 If you follow them around you have some small Nora units on the north
13 edge and if you head south there are some elongated units in Nora. Then you see
14 several that are variable in size down there and some that overlap. We've found
15 some places where there seems to be little remedy other than paying some folks
16 double in some of these units and overlapping them depending on whether you're
17 drilling an Nora unit or an Oakwood unit. So, we had included that overlap area and
18 there is precedent for that. The bottom of this unit, after the last grey square that
19 you see there in the Nora unit, there is an east offset of several units there and we
20 have no more grey units below that. That boundary was defined in an earlier order
21 that we did not long ago and as you can see over on the east side of that there's a
22 unit in that that was defined as overlapping. So, we do have precedence for that. I
23 haven't gotten any comment on this. Now, part of this may be the fact that we got it

24

1 out so late last week. I don't know how much it has been passed around but this is
2 our proposal as to how to handle this boundary. Number one, we would propose to
3 accept the Oakwood corners as defined on the second sheet of this handout that I
4 gave you. And the second part of the recommendation would be that we define the
5 boundary units between the two as shown on the last page of the handout subjected
6 to any comments anybody has. I would draw your attention on that last page, if you
7 look toward the south end here there's one very small unit on the north side of the
8 boundary that's not shown in grey and that's not shown as Oakwood---.

9 BENNY WAMPLER: Hold it up and show us.

10 BOB WILSON: Right down here at the bottom. Right there. There is
11 a very small unit that's not greyed in in any way. That unit is already drilled on that
12 side. There's part of a fairly large fee blocks. That was already drilled. So, that
13 one is a Nora unit and it has been drilled at that size. The one that started the
14 concern is below it a ways there, I believe, and somewhat smaller. At any rate,
15 that's the recommendation that we're making and I'd presume that we may have
16 some comments here from other folks.

17 DON HALL: I've got a question, Bob.

18 BOB WILSON: Sure.

19 DON HALL: A couple of years ago---.

20 BENNY WAMPLER: Hold on a second. Tell us who you are.

21 DON HALL: Don Hall with Equitable. Two or three years ago we
22 came back and redid some units in this southern part of this that had been initially
23 Nora then was Oakwood and then we came back and got some provisional units and
24

1 then we made it permanent units. That area is in this area, isn't it?

2 BOB WILSON: Yes, that's correct. That's the one that I was referring
3 to was defined in an earlier order---.

4 DON HALL: Right.

5 BOB WILSON: ---so we didn't even address that. That's one of the
6 few modifications we've made that actually address that boundary issue.

7 LESLIE ARRINGTON: Les Arrington, CNX. You're right, we did
8 receive it. I think it was Thursday evening maybe and I've been out. I was out
9 Friday and Monday both. But we are presently working on that L(-1)B to fix the unit
10 on that and I think it's the only problem we've got to fix other than maybe one up to
11 the north, but it's still in your shop. So, it will be no problem to fix that one.

12 BENNY WAMPLER: So, am I hearing that it's something that you
13 don't have a problem with the Board adopting this as closure of the field rules?

14 LESLIE ARRINGTON: CNX doesn't.

15 JIM KAISER: No, Equitable is okay with it.

16 BENNY WAMPLER: Any other party here have a problem with it?
17 (No audible response.)

18 BENNY WAMPLER: Hearing none, I guess I'll ask the Board
19 members if you have any questions?

20 (No audible response.)

21 BENNY WAMPLER: Is there a motion?

22 MARY QUILLEN: Motion to approve.

23 PEGGY BARBAR: Second.

24

1 BENNY WAMPLER: Second. Any further discussion?
2 (No audible response.)
3 BENNY WAMPLER: All in favor, signify by saying yes.
4 (All members signify by saying yes.)
5 BENNY WAMPLER: Opposed say, no.
6 (No audible response.)
7 BENNY WAMPLER: You have approval. Thank you.
8 JIM KAISER: Mr. Chairman, you all are going to break at 12:00?
9 BENNY WAMPLER: Yes.
10 JIM KAISER: You know, we have a lot of people waiting here and I
11 don't know what...which ones they're particularly interested in, but if we did I'd try to
12 go to them. Do any of you know? Mr. Wilson, do you know some of the---?
13 BOB WILSON: No, sir, I do not.
14 BENNY WAMPLER: Next is a petition from CNX Gas Company, LLC
15 to amend notice and pooling of coalbed methane unit YYY24. This is docket number
16 VGOB-08-0219-2133 and that's the one that Chesapeake was dismissed from
17 earlier today. We'd ask the parties that wish to address the Board in this matter to
18 come forward at this time.
19 MARK SWARTZ: Mark Swartz and Les Arrington.
20 BENNY WAMPLER: Number six for the Board. Let the record show
21 there are no others. You may proceed.

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23 LESLIE K. ARRINGTON

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DIRECT EXAMINATION

QUESTIONS BY MR. SWARTZ:

Q. Les, I'm going to remind you that you are still under oath.

A. Yes, sir.

Q. State your name for us, please.

A. Leslie K. Arrington.

Q. Who do you work for?

A. CNX Gas Company, LLC

Q. And what do you do for them?

A. Manager of environmental and permitting.

Q. And do you either prepare or caused to be prepared under your direction the notice, application and related exhibits pertaining to YYY24(CV)?

A. Yes.

Q. What did you do to notify people that we'd have a hearing today?

A. We mailed by certified mail return receipt on January the 8th and February the 22nd, 2008. We published both on January the 24th and February the 22nd in the Bluefield Daily Telegraph.

Q. When you published, what appeared in the newspaper?

A. The notice of hearing and location exhibit.

Q. Okay. And have you provided Mr. Wilson's office with the certificates of publication and proof...I'm sorry, with proof of publication and certificates with regard to mailing?

1 A. Yes, we have.

2 Q. Do you want to dismiss anyone today?

3 A. Yes, we do.

4 Q. All right. And who would that be?

5 A. That would be Chesapeake.

6 Q. We've already talked about that and whether or not that's

7 actually occurred and it continues to be your desire?

8 A. Yes.

9 Q. Okay. Do you want to add any parties today?

10 A. No.

11 Q. What kind of a well is this?

12 A. This is a conventional gas well and it's 112.69 acres on

13 statewide spacing.

14 Q. And statewide spacings, just to remind the Board, for this

15 kind of a well statewide spacing provides that the well be shaped as what shape?

16 A. Circle.

17 Q. And if you look at the plat here that's precisely what's

18 happened?

19 A. Yes.

20 Q. And that yields the acreage when you do the math of 112.69

21 acres and the other conventional units that we see on this statewide spacing are

22 always going to have the same entry?

23 A. Yes, sir.

24

1 Q. Okay. What interests have you been able to acquire in this
2 unit and what are you seeking to pool today?

3 A. At the present, we have a 99.9848 percent of the oil and
4 gas interest.

5 Q. And what are you seeking to pool?

6 A. 0.01520 percent.

7 Q. Okay. Have you provided the Board with a well cost
8 estimate?

9 A. Yes, it's \$519,041.60 to depth of 6,766 feet.

10 Q. Do you have a permit yet?

11 A. No.

12 Q. And I take it then it would not be drilled as yet?

13 A. That's correct.

14 Q. The applicant here is what company?

15 A. CNX Gas Company, LLC.

16 Q. Okay. And if this pooling application is approved who would
17 the applicant request be appointed operator?

18 A. CNX Gas Company.

19 Q. Is CNX Gas Company, LLC a Virginia General Partnership or
20 Virginia Limited Liability Company, I'm sorry?

21 A. Yes, sir, it is.

22 Q. Has it registered with the DMME?

23 A. Yes.

24

1 Q. Do you have a blanket bond on file?
2 A. Yes, we do.
3 Q. Okay. And I assume that it's authorized, if it's a Virginia
4 Company, it's authorized to do business in the Commonwealth?
5 A. Yes.
6 Q. With regard to the leases and the interest that you've
7 succeeded in leasing, what have you been paying as compensation and what are
8 your basic lease terms for this conventional well?
9 A. It's five dollar per acre per year with a five year paid up term
10 with a one-eighth production royalty.
11 Q. And would you recommend those same terms to the Board to
12 apply to folks who might be deemed to have been leased in this unit?
13 A. Yes, we would.
14 Q. Have you provided the Board with an Exhibit B-3, which lists
15 the folks by name and interest that you are seeking to pool?
16 A. Yes. I provided them with a revised Exhibit B-3 along with
17 an Exhibit B-2 explaining why we dismissed Chesapeake.
18 Q. Okay. And with reference to Exhibit B-3, people who might
19 want to participate in this unit have the map that would be necessary?
20 A. Yes, sir.
21 Q. They would apply the percentage of unit as a percentage of
22 the drilling costs?
23 A. Yes.

24

1 Q. Are there...I know the answer, but I'm going to ask you
2 anyway, I assume there are no conflicts in this unit?

3 A. No.

4 Q. We don't have any escrow requirements?

5 A. No.

6 Q. Is it your opinion that drilling a well in the center of this
7 circular statewide unit is a reasonable way to extract coalbed methane from within
8 and under this unit?

9 A. Yes, it is.

10 Q. Is it your further testimony that if you combine the leasing
11 activities and efforts that you've been successful and with a pooling order pooling the
12 respondents here the correlative
13 rights of all owners will be protected?

14 A. Yes, they will.

15 Q. And, obviously, all owners will receive payment without
16 escrow?

17 A. Correct.

18 MARK SWARTZ: That's all I have, Mr. Chairman.

19 BENNY WAMPLER: Questions from members of the Board?

20 (No audible response.)

21 BENNY WAMPLER: Total depth projected for this---?

22 LESLIE ARRINGTON: 6,766 feet.

23 BENNY WAMPLER: Questions from members of the Board?

24

1 (No audible response.)

2 BENNY WAMPLER: Do you have anything further?

3 MARK SWARTZ: No, we do not.

4 BOB WILSON: Mr. Chairman?

5 BENNY WAMPLER: Mr. Wilson.

6 BOB WILSON: Just for my hearing, could you restate your AFE cost,

7 please?

8 LESLIE ARRINGTON: \$519,041.60.

9 BOB WILSON: Unless it is a revised AFE, mine shows \$438,891.36.

10 Was there a revised AFE?

11 MARK SWARTZ: I've got the number he reported. It could be an

12 operator error here.

13 BENNY WAMPLER: YYY24(CV), is that what you've got?

14 BOB WILSON: Yeah.

15 MARK SWARTZ: What's the date of the one you've got?

16 BOB WILSON: 1/18/08.

17 MARK SWARTZ: The one everybody else is looking at is 2/22/08.

18 That's the explanation I guess.

19 BOB WILSON: I'm just out of the loop again.

20 MARK SWARTZ: Okay. Well how did the Board members get a copy

21 of something----?

22 BOB WILSON: You know, that was a question that I had on my mind.

23 It's the exact question---.

24

1 MARK SWARTZ: But I have an extra copy for you. Here you go.
2 Here's the twenty-two.
3 BOB WILSON: Thank you.
4 SHARON PIGEON: And this came from yours?
5 MARK SWARTZ: Yeah, I didn't want to say that. Thank you.
6 LESLIE ARRINGTON: It happens to all of us.
7 BOB WILSON: Well, the people at the post office are just really good
8 that's all I can tell you. I have the original, I don't know what they sneak down on
9 yours.
10 BENNY WAMPLER: All right. Other questions from members of the
11 Board?
12 (No audible response.)
13 BENNY WAMPLER: Is there a motion?
14 MARY QUILLEN: Motion to approve.
15 BRUCE PRATHER: Second.
16 BENNY WAMPLER: Any further discussion?
17 (No audible response.)
18 BENNY WAMPLER: All in favor, signify by saying yes.
19 (All members signify by saying yes, but Katie Dye.)
20 BENNY WAMPLER: Opposed, say no.
21 KATIE DYE: Abstain.
22 BENNY WAMPLER: One abstention, Mrs. Dye. You have approval.
23 Next is number seven on the agenda, a petition from CNX Gas Company, LLC for
24

1 pooling of coalbed methane unit J-36 docket number VGOB-08-0318-2159. We'd
2 ask the parties that wish to address the Board in this matter to come forward at this
3 time.

4 MARK SWARTZ: Mark Swartz and Les Arrington.

5 BENNY WAMPLER: Let the record show there are no others. You
6 may proceed.

7 MARK SWARTZ: If I could I'd like to incorporate Mr. Arrington's
8 testimony concerning his employment, standard lease terms and the applicant and
9 operator.

10 BENNY WAMPLER: That will be incorporated.

11 MARK SWARTZ: Thank you.

12

13 LESLIE K. ARRINGTON

14 DIRECT EXAMINATION

15 QUESTIONS BY MR. SWARTZ:

16 Q. Mr. Arrington, could you state your name again?

17 A. Leslie K Arrington.

18 Q. I will remind you that you are still under oath. With regard to
19 this application concerning J-36, what did you do to notify people that there would be
20 a hearing today?

21 A. We mailed by certified mail on February the 15th, 2008 and
22 published in the Bluefield Daily Telegraph on February the 21st, 2008.

23 Q. When you published, what appeared in the paper?

24

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1 A. The notice of hearing and location exhibit.

2 Q. Have you provided Mr. Wilson's office with your certificates
3 concerning mailing and the proof of publication you received from the inspector?

4 A. Yes, sir, I have.

5 Q. Do you wish to add any respondents today?

6 A. No.

7 Q. Do you wish to dismiss any today?

8 A. No.

9 Q. What kind of unit is this?

10 A. This is an Oakwood 80.

11 Q. And you've got a plat here which shows whether or not the
12 well was in or outside the window. Is it in the window here?

13 A. It is within the window.

14 Q. Just barely.

15 A. Just barely.

16 Q. Okay. What kind of well is proposed?

17 A. Frac well.

18 Q. And have you provided the Board with a cost estimate for
19 that well?

20 A. Yes, we have. It's \$295,769.24 to a depth of 2,025 feet.
21 Permit number is 8778.

22 Q. And this well has been drilled?

23 A. Yes.

24

1 Q. What interests have you been able to acquire and what
2 interests are you seeking to pool?

3 A. We've acquired 96.8635% of the coal owner's claim and
4 94.3454% of the oil and gas owner's claim. We're seeking to pool 3.1365% of the
5 coal owner's claim and 5.6546% of the oil and gas owner's claim to coalbed
6 methane.

7 Q. There is an escrow requirement here, correct?

8 A. Yes, Tract 5, 6 and 9, and unknowns for 9.

9 Q. I think there's also a requirement in Tract 2.

10 A. Okay, 2, 5, 6 and 9.

11 Q. So, the escrow requirement is actually---?

12 A. For 2, 5, 6 and 9.

13 Q. Okay. And in Tract 9 there are two reasons, one is the
14 conflicts and one is an unknown?

15 A. Right.

16 Q. There are no split agreements, correct?

17 A. No. This is a revised Exhibit E.

18 Q. And is the revision simply to delete Chesapeake?

19 A. No.

20 Q. Well, no, that wouldn't be in this one. What's the revision in
21 this one? Oh, I see what you've done, okay. Tract 2 has disappeared?

22 A. Yes.

23 Q. Okay. All right. So, what has happened is compared to
24

1 what was originally filed as Exhibit E, which included Tract 2---?

2 A. Yes.

3 Q. ---I'm sorry, Tract 2...Tract 2, which was the Caroline Coal

4 heirs, right---?

5 A. Right.

6 Q. ---and Island Creek?

7 A. Yes.

8 Q. The revised exhibit does not include that?

9 A. That's correct. It does not.

10 Q. The reason, if you know?

11 A. She says given back, the claim was.

12 MARK SWARTZ: Okay. That's all I have Mr. Chairman.

13 BENNY WAMPLER: I didn't hear what he said.

14 LESLIE ARRINGTON: That claim was given back to the heirs where

15 the conflict was.

16 SHARON PIGEON: So, are you revising your earlier testimony on

17 what needs to be escrowed?

18 LESLIE ARRINGTON: On E. Yeah, that's the revised E, yes.

19 SHARON PIGEON: But you just testified---.

20 LESLIE K. ARRINGTON: 2.

21 SHARON PIGEON: ---2, 5, 6 and 9. Now, you're testimony is----?

22 LESLIE ARRINGTON: Mark's...Mark's exhibit...sorry. Mark's exhibit

23 hadn't been revised at that point.

24

1 SHARON PIGEON: I understand that, but you're revising your
2 testimony?
3 LESLIE ARRINGTON: Yes, ma'am. I see now what happened there.
4 SHARON PIGEON: Thank you.
5 BENNY WAMPLER: And would you tell us which tracts again?
6 LESLIE ARRINGTON: 5, 6 and 9.
7 BENNY WAMPLER: Do you have anything further?
8 MARK SWARTZ: No, I do not.
9 BENNY WAMPLER: Questions from members of the Board?
10 (No audible response.)
11 BENNY WAMPLER: Do you have anything further?
12 MARK SWARTZ: No, I do not.
13 BENNY WAMPLER: Is there a motion?
14 MARY QUILLEN: Motion to approve.
15 BRUCE PRATHER: Second.
16 BENNY WAMPLER: Any further discussion?
17 (No audible response.)
18 BENNY WAMPLER: All in favor, signify by saying yes.
19 (All members signify by saying yes, but Katie Dye.)
20 BENNY WAMPLER: Opposed say, no.
21 KATIE DYE: Abstain.
22 BENNY WAMPLER: You have approval. One abstention, Mrs. Dye.
23 All right. Eight and nine on the agenda is continued until next month. Folks, we're
24

1 going to take a break to kind of hopefully help you out a little bit at 12:00 o'clock.
2 We'll go from 12:00 until 1:00 for lunch and you'll need every bit of that to eat lunch
3 over here, you'll find out. I don't know...can I just get a show of hands just for a
4 second of who's here for CNX, anything they have? I can't see behind here. You'll
5 have to yell at me.

6 (Audience members raises their hand.)

7 BENNY WAMPLER: One, okay. Okay, who's here for Equitable?

8 (Audience members raise their hands.)

9 BENNY WAMPLER: All right. Right after lunch I'm going to try to get
10 to one that...ask everybody else's indulgence so people won't have to wait further.
11 We'll try to move to those, okay. So, maybe you can find out which on the docket,
12 if you'll work with them on that, which one...

13 AUDIENCE MEMBER: Twenty-three.

14 AUDIENCE MEMBER: Twenty-one.

15 BENNY WAMPLER: Twenty-one and twenty-three. Any other?

16 (No audible response.)

17 BENNY WAMPLER: All right. What---?

18 JIM KAISER: I can help some of them right off, Mr. Chairman.

19 Twenty-three is going to be continued.

20 AUDIENCE MEMBER: Continued until when?

21 JIM KAISER: Next month, I guess. What has happened is we've had
22 more heirs coming forward on that one?

23 BENNY WAMPLER: Jim, come down---.

24

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1 AUDIENCE MEMBER: That's the one we're here for.

2 BENNY WAMPLER: Jim, come down and tell us, so we can make
3 sure we hear. I'm sorry, I'm cleaning...I'm just going to clean this up right now---.

4 MARK SWARTZ: That's fine.

5 BENNY WAMPLER: ---so we can help the folks out. Tell us who you
6 are and I'll call the docket number here.

7 JIM KAISER: Jim Kaiser representing Equitable Production Company.
8

9 BENNY WAMPLER: We're discussing docket number VGOB-08-
10 0318-2176 and you're going to request a continuance?

11 JIM KAISER: Yes, we're going to request a continuance. We've had,
12 apparently, since we filed this application and noticed the McCoy heirs that we knew
13 of there's been a whole bunch more of them come forward. So, we want to make
14 sure we get it as right as we possibly can and make sure everybody has notice.

15 BENNY WAMPLER: So, you want to continue that until the April
16 hearing?

17 JIM KAISER: Well, I wished Don were here. Is April good?
18 (No audible response.)

19 JIM KAISER: April.

20 BENNY WAMPLER: All right.

21 BOB WILSON: Mr. Chairman.

22 BENNY WAMPLER: Mr. Wilson?

23 BOB WILSON: I believe one of the...some of the people up here who
24

1 are here for that want to speak. You're going to have to come down here if you
2 want to speak to that continuance, I think.

3 BENNY WAMPLER: Yeah, and you need to tell us who you are. But
4 come on down because we're recording that here. This won't project. Sorry, Mr.
5 Swartz.

6 MARK SWARTZ: No problem.

7 BENNY WAMPLER: I'm trying to keep people from having to wait if
8 they don't have to wait.

9 MARK SWARTZ: We understand.

10 BENNY WAMPLER: They don't get paid by the heir.
11 (Laughs)

12 MARK SWARTZ: I would rather have---.
13 (Laughs.)

14 BENNY WAMPLER: Tell us who you are.

15 JEROME MILLER: Jerome Miller from Indiana. My question is, did
16 you receive by registered mail of the living heirs on my grandmother's side?

17 JIM KAISER: I did not. My client may have.

18 JEROME MILLER: I sent it to you.

19 JIM KAISER: No, I did not.

20 JEROME MILLER: I sent that as of last Monday. The reason why I'm
21 asking is, we're from Indiana and we came over four hundred miles to this. I would
22 assume that we would have heard something instead of making this trip. Will we be
23 notified in advance of the...in April of this next meeting is going to be continued
24

1 again or---?

2 JIM KAISER: Yeah, I'll promise you if for some reason we're not
3 ready to go in April, we'll let you know.

4 JEROME MILLER: Okay.

5 JIM KAISER: But I did not...this is my first time that I've seen this.

6 JEROME MILLER: Well, you can have that. I've got plenty. All right.

7 JIM KAISER: I apologize.

8 SHARON PIGEON: Sir, what was your last name, I didn't get it?

9 JEROME MILLER: Miller.

10 JIM KAISER: And we appreciate the help in identifying these people.

11 JEROME MILLER: Yes.

12 BENNY WAMPLER: And if there's any....Mr. Miller, if there's
13 anything...questions you have today, maybe when we break for lunch or what have
14 you they can try to clear up. That would save you---.

15 JEROME MILLER: That would be great.

16 BENNY WAMPLER: You know, anything like that would be good to
17 discuss because you may or may not need a hearing for that. Sir, do you want to---
18 ?

19 CARLOS HALE: Yes, sir. I'm Carlos Hale, on behalf of my
20 mother's...it was listed unknown as her heirs. So---.

21 BENNY WAMPLER: In this same unit?

22 CARLOS HALE: Yeah, in the same unit. So, our main objective is to
23 get...which there is eight of us. We wanted paperwork on it or whatever that we
24

1 didn't receive anything and we learned this from our aunt up here, which they sent
2 her a copy of the papers and everything. So, we were wanting to get more
3 information on what was going on, what they're wanting to...the proposals or
4 whatever. If I could pick those up from you and maybe then get them to our eight in
5 our family and then let them know what is going on that what they are proposing for
6 the property or whatever.

7 JIM KAISER: Yeah, he represents one of the heirs that we've listed
8 as unknown---.

9 CARLOS HALE: Yeah.

10 JIM KAISER: ---there was eight...apparently eight of them, so.

11 CARLOS HALE: That's what I'm saying. All...the only thing in our
12 whole grandmother's property, there were only two listed and the rest of our heirs
13 was just unknown and so... actually what we were doing is wanting to put on record
14 is showing who all the heirs were----.

15 JIM KAISER: Yeah, he wants to get the heirs corrected on that.
16 That's the reason we're continuing
17 this---.

18 CARLOS HALE: Yeah, instead of unknown and---.

19 DON HALL: We've determined that there's...we started discovering
20 other people. So, that's the reason we want a continuance to try to get everybody--
21 -.

22 SHARON PIGEON: Sir, what's your mother's name?

23 CARLOS HALE: Nanny Hammons Hale.

24

--

1 SHARON PIGEON: Thank you.

2 BENNY WAMPLER: All right. That's continued. Now, you had---.

3 AUDIENCE MEMBER: Twenty-one for Mae Smith Rowlett.

4 JIM KAISER: That's a distribution.

5 BENNY WAMPLER: Okay. We'll do that right after lunch.

6 (Off record discussion.)

7 JIM KAISER: While were at it, Mr. Chairman. Back on the record.

8 BENNY WAMPLER: Yes.

9 JIM KAISER: It might help you. I've got a little more housecleaning if

10 we've got other people in here.

11 BENNY WAMPLER: Go ahead.

12 JIM KAISER: Okay. So, we told you we were going to continue item

13 twenty-three, which is 2176. We're going to dismiss item twenty-five, which is 2178.

14 We have 100% of that unit under voluntary lease now. And we're going to continue

15 thirty-one, which is item 2184 in Tazewell County. If anybody is here for that, we

16 have a notice problem on that one and we'll have to continue that one until April. If

17 that helps.

18 BENNY WAMPLER: Okay. Thank you very much. Number ten,

19 Board. We call a petition from CNX Gas Company, LLC for pooling of coalbed

20 methane unit X-4 docket number VGOB-08-0318-2162. We'd ask the parties that

21 wish to address the Board in this matter to come forward at this time.

22 MARK SWARTZ: Mark Swartz and Les Arrington.

23 BENNY WAMPLER: Let the record show there are no others. You

24

1 may proceed.

2 MARK SWARTZ: On this one I think we have some revisions. You
3 might want to pass that out before we start.

4 LESLIE K. ARRINGTON: Yeah, let me get there.

5 (Off record.)

6 MARK SWARTZ: Mr. Chairman, I would appreciate if we could
7 incorporate Mr. Arrington's testimony from the prior hearing with regard to the
8 applicant and the operator, his employment and the standard leased terms.

9 BENNY WAMPLER: That will be incorporated.

10 MARK SWARTZ: Thank you.

11

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14 LESLIE K. ARRINGTON

15 DIRECT EXAMINATION

16 QUESTIONS BY MARK SWARTZ:

17 Q. Les, could you state your name for us, again?

18 A. Leslie K. Arrington.

19 Q. And who do you work for?

20 A. CNX Gas Company, LLC.

21 Q. I'll remind you, you are still under oath.

22 A. Yes, sir.

23 Q. We're here on...for pooling application for X-4, is that

24

--

1 correct?

2 A. That's correct.

3 Q. What kind of unit is this?

4 A. It's an Oakwood 80 acres.

5 Q. And there are two wells proposed in this application, correct?

6 A. Yes.

7 Q. And where are they located?

8 A. Both within the drilling window.

9 Q. What did you do to notify the respondents that there will be a

10 hearing today?

11 A. We mailed by certified mail return receipt requested on

12 February the 15th, '08 and published in the Bluefield Daily telegraph on February the

13 22nd of '08.

14 Q. And when you published, what appeared in the newspaper?

15 A. The notice of hearing and location exhibit.

16 Q. Okay. And have you filed your certificates with regard to

17 mailing and your proof of publication with Mr. Wilson's office?

18 A. Yes, we have.

19 Q. Since you've filed this application...or between the time you

20 filed this application and today have you been able to do some additional leasing?

21 A. Yes.

22 Q. And has that required us to ask the Board to dismiss some

23 of the respondents?

24

1 A. Yes, on the Exhibit B-2 and you'll notice in the reason for
2 dismissal it indicates that we've leased that interest.

3 Q. So, the Exhibit B-2 that we've provided today lists the
4 respondents that you would ask to be dismissed?

5 A. Yes.

6 Q. And then you've also given the Board a revised exhibit B-3,
7 is that correct?

8 A. Correct.

9 Q. And would the revised exhibit B-3, the one that shows down
10 in the lower right hand corner, 3/17/2008, would that be the exhibit, B-3, they
11 should use to identify the respondents and their names and addresses and their
12 percent of interest in the unit?

13 A. Yes.

14 Q. Okay. Are there any other people besides the folks listed on
15 B-2 that are named as respondents that you want to dismiss today?

16 A. No.

17 Q. Are there any people that you want to add as respondents
18 today?

19 A. No.

20 Q. Okay. Are both of these wells frac wells?

21 A. Yes.

22 Q. Have you provided the Board with cost estimates for the
23 wells?

24

1 A. Yes, we have. For well X-4 it's \$263,128.49. X-4A is
2 \$343,678.84. X-4 is to a depth of 2,410 and X-4A is 2,606. X-4 is 49...the
3 permit number is 4936 and X-4A is 8114.

4 Q. When you say 8114 that's the permit number?

5 A. Permit number, yes.

6 Q. Okay. There is no escrow requirement in this unit, if I'm
7 reading it correctly?

8 A. No, that's correct.

9 Q. Okay. And what interests have you been able to acquire and
10 what is it that you're seeking to pool?

11 A. We've acquired 98.8024% of the coal, oil and gas owner's
12 claim to coalbed methane. We're seeking to pool 1.1976% of the coal, oil and gas
13 owner's claim to coalbed methane.

14 Q. Is it your opinion that drilling two frac wells in this Oakwood
15 80 is a reasonable way to develop the coalbed methane resource?

16 A. Yes, it is.

17 Q. Is it your further opinion that if you combine the leasing
18 efforts that you've succeeded in with a pooling order pooling this 1.3450% interest in
19 the unit that the correlative rights of all owners and claimants will be protected?

20 A. Yes, it will be.

21 MARK SWARTZ: That's all I have Mr. Chairman.

22 BENNY WAMPLER: Questions from members of the Board? Do you
23 have a motion?

24

1 MARY QUILLEN: Motion to approve.

2 BRUCE PRATHER: Second.

3 BENNY WAMPLER: Any further discussion?

4 (No audible response.)

5 BENNY WAMPLER: All in favor signify, by saying yes.

6 (All members signify by saying yes, but Katie Dye.)

7 BENNY WAMPLER: Opposed, say no.

8 (No audible response.)

9 BENNY WAMPLER: You have approval.

10 KATIE DYE: Abstain.

11 BENNY WAMPLER: One abstention, Mrs. Dye. Next is a petition

12 from CNX Gas Company, LLC for pooling of coalbed methane unit number AW-133,

13 docket number VGOB-08-0318-2163. We'd ask the parties that wish to address the

14 Board in this matter to come forward at this time.

15 MARK SWARTZ: Mark Swartz and Les Arrington.

16 BENNY WAMPLER: Let the record show there are no others. You

17 may proceed.

18 MARK SWARTZ: I would like to ask again if it would be all right if

19 you could incorporate Mr. Arrington's prior testimony concerning the applicant and the

20 operator, his employment at CNX Gas and standard lease terms.

21 BENNY WAMPLER: That will be incorporated.

22 MARK SWARTZ: Thank you.

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LESLIE ARRINGTON

DIRECT EXAMINATION

QUESTIONS BY MARK SWARTZ:

Q. Mr. Arrington, could you state your name for us, again?

A. Leslie K. Arrington

Q. Okay. Who do you work for?

A. CNX Gas Company, LLC.

Q. And, again, here do we have some revisions?

A. Yes, we do.

Q. Okay. And have you, since filing this petition, been able to
lease another party?

A. Yes.

Q. Okay. Who was that?

A. Pamela Short.

Q. Have you provided the Board or are you providing the Board
today with an Exhibit B-2 which indicates she should be dismissed?

A. Yes.

Q. And have you revised the Exhibit B-3 that is tendered today
and dated 3/17/2008, have you revised that to delete her name as well?

A. Yes, we have.

Q. And when you do that does that change the percentages?

A. Yes, it did.

Q. So, you've also submitted a revised Exhibit A, page two,

1 correct?

2 A. Yes, we have.

3 Q. Okay. What kind of well is this?

4 A. It's a Middle Ridge. It has 58.74 acres.

5 Q. And is it a frac well?

6 A. Yes, it is.

7 Q. Okay. And where is it located in the window?

8 A. Withing the drilling window.

9 Q. Okay. It was in the unit, I should have said. Have you

10 provided the Board with a cost estimate?

11 A. Yes, we have. It's \$271,424.35 to a depth of 2,555 feet.

12 Q. You don't have a permit yet?

13 A. No.

14 Q. Okay. The revised percentages showing what you've

15 required and what you're seeking to pool on the revision today indicate what?

16 A. We have 100% of the coal owner's claim to coalbed methane

17 leased and 84.0994% of the oil and gas owner's claim. We're seeking to pool

18 15.9006% of the oil and gas owner's claim.

19 Q. And we've got a list of respondents in the notice and in the

20 revised Exhibit B-3. What did you do to tell those people that we're going to have a

21 hearing today?

22 A. We mailed by certified mail on February the 15th, of '08 and

23 published in the Bluefield Daily Telegraph on February the 22nd of '08.

24

1 Q. And when you published, what appeared in the newspaper?
2 A. The notice of hearing and location exhibit.
3 Q. And have you provided Mr. Wilson's office with your
4 certificates of mailing and proof of publication.
5 A. Yes, we have.
6 Q. Other than dealing with Ms. Short, who we've already talked
7 about and dismissing her, is there anyone else that you want to dismiss today?
8 A. No.
9 Q. Is there anybody that you want to add as a respondent
10 today?
11 A. No.
12 Q. There are some escrow requirements here, correct?
13 A. Yes. 1B, 1C, 1D, 1E, 1F, 1G, 1H, 1I, 1J, 1K, 1L, 1M, 1N, 1O,
14 1P, 1Q, 2B, 3A, 3B, 3C and an unknown in 1P.
15 Q. So, in addition to being an escrow requirement in 1P as in
16 Paul because of conflicts there is also an unknown?
17 A. Yes.
18 Q. And there's a....there's some split agreements in this unit?
19 A. In 1A, 1R and 2A.
20 Q. And have you filed an Exhibit EE in that regard?
21 A. Yes, we have.
22 Q. Are those 50/50 agreements?
23 A. I don't know without looking at it. No, they are not.
24

1 Q. Okay. So, are you requesting that the Board allow you to
2 pay the folks identified and discussed in Exhibit EE directly in accordance with the
3 terms of those split agreements rather than being required to escrow their funds?

4 A. Yes, we are.

5 Q. Is it your opinion that drilling one frac well in the window of
6 this Middle Ridge unit is a reasonable way to develop the coalbed methane resource
7 in this unit?

8 A. Yes, it is.

9 Q. Is it your further opinion that if you combined the pooling
10 efforts if you succeeded in with a Board order pooling the interests that you've
11 identified as roughly 16 and 1/2% that the correlative rights of all owners and
12 claimants in this CBM unit will be protected?

13 A. Yes, they will be.

14 MARK SWARTZ: That's all I have, Mr. Chairman.

15 BENNY WAMPLER: Mr. Arrington, in Exhibit E, page five of seven of
16 your initial application, you list the Goldie Miller heirs and you have the 27.50 acre
17 tract. I assume that's the entire tract of those heirs of which only .41 is in this unit?

18 LESLIE ARRINGTON: Which number....which tract?

19 MARK SWARTZ: Which tract number are you talking about?

20 BENNY WAMPLER: 1P.

21 MARK SWARTZ: P as in Paul?

22 BENNY WAMPLER: Yes.

23 MARK SWARTZ: Okay.

24

1 LESLIE K. ARRINGTON: Just a minute, I'm getting there. Yes, sir,
2 that is correct. 1P if you'll look at the plat, is in the south eastern area of the plat
3 and if you'll notice 1P is just a very small portion of 1P is within AW-133, the
4 remaining portion of that would be in AW-134.

5 BENNY WAMPLER: And the Copley heirs, are they the same...where
6 I was going with this, W. H. Copley heirs are they of the same tract...of that pooled
7 27.50 tract or just that portion of .41? I know in this unit, I understand that, but I
8 was just wondering if the entire....what you found when you were obviously not able
9 to find any of the heirs.

10 LESLIE ARRINGTON: Oh, I see now what you're questioning. Mr.
11 Wampler, without the person that actually gave us the information on that interest
12 we...it appears that we originally felt that the Goldie Miller heirs was the owner and
13 then we found that there was an additional title conflict back some time.

14 BENNY WAMPLER: Questions from members of the Board?

15 (No audible response.)

16 BENNY WAMPLER: Do you have anything further?

17 MARK SWARTZ: No, I do not.

18 BENNY WAMPLER: Is there a motion?

19 MARY QUILLEN: Motion to approve.

20 BRUCE PRATHER: Second.

21 BENNY WAMPLER: And a second. Any further discussion?

22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying yes.

24

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1 (All members signify by saying yes, but Katie Dye.)
2 BENNY WAMPLER: Opposed, say no.
3 KATIE DYE: Abstain.
4 BENNY WAMPLER: You have approval. One abstention, Mrs. Dye.
5 We've already heard thirteen and fourteen. Next is a petition from...do you have
6 anything else on today? You don't do you?
7 MARK SWARTZ: This would be it.
8 BENNY WAMPLER: Thank you. Happy Easter.
9 MARK SWARTZ: Thank you.
10 BENNY WAMPLER: Next is a petition from GeoMet Operating
11 Company, Inc. for---.
12 MARK SWARTZ: No, I'm sorry.
13 BRUCE PRATHER: No, they've got twelve.
14 PETER GLUBIACK: Number twelve.
15 MARK SWARTZ: There's a number twelve.
16 BENNY WAMPLER: I'm sorry.
17 MARK SWARTZ: I thought you meant---.
18 BENNY WAMPLER: I was just---.
19 (Laughs.)
20 BENNY WAMPLER: I couldn't resist.
21 (Laughs.)
22 MARK SWARTZ: And see I wasn't going to go there.
23 (Laughs.)
24

1 BENNY WAMPLER: I was doing that for Mr. Glubiack. Next is a---.

2 MARK SWARTZ: Anytime you see somebody with a
3 box---.

4 BENNY WAMPLER: Next is a petition from CNX Gas Company, LLC,
5 I'm sorry, for repooling coalbed methane unit, I know I'll pay for it, VPASGU3. This
6 is docket number VGOB-06-0321-1598-01. We'd ask the parties that wish to
7 address the Board in this matter to come forward at this time.

8 MARK SWARTZ: Mark Swartz and Les Arrington.

9 PETER GLUBIACK: Good morning, Mr. Wampler. Peter Glubiack and
10 Mr. John Sheffield, who is an owner in this unit. Thank you.

11 JOHN SHEFFIELD: And John Sheffield land owner.

12 BENNY WAMPLER: Thank you.

13 (John Sheffield is duly sworn.)

14 BENNY WAMPLER: Let the record show there are no others. You
15 may proceed, Mr. Swartz.

16 MARK SWARTZ: I'm not sure that have any testimony. I would just
17 kind of refresh you all on why were here on this. If you'll look at the application that
18 I've filed, Paragraph C says that, "On January 15, the Board directed the applicant to
19 file a petition to modify the referenced order." We were here in January. We had
20 an extensive discussion about tracts that were either identified as both oil, gas and
21 coal tracts or not and/or omitted. The Board heard that testimony and saw the
22 exhibits that were recorded and so forth and concluded that we should file a petition
23 to modify. And so in four, you'll see the relief sought and I believe that I have
24

1 sought the relief that I was told to seek, which is to modify the June order as is
2 specified there. That all interests and claims of the coal owners in Tract 52, and
3 that would be Mr. Sheffield's trust obviously or interest, be specifically pooled and
4 that all interests we seek...we got the oil and gas side in that first order, but we
5 didn't get the coal side of Tract 52. Then all interests and claims as an oil and gas
6 owner in 41 be specifically pooled because we had done the other side. And that
7 the June 19th order be amended to afford the respondents who have interests in
8 these two tracts an opportunity to make their elections as owners and claimants of
9 these interests. That's why we're here. I think we've already got a record as to,
10 you know, what was in the prior order and the exhibits. So, we just did what we
11 were told to do and we're back
12 here to straighten that out.

13 BOB WILSON: Mr. Chairman.

14 BENNY WAMPLER: Mr. Wilson.

15 BOB WILSON: For the record, I think actually what was instructed
16 was that it was necessary for repooling the unit to include those tracts of land that
17 were omitted from the initial one. A modification of the order would imply a bit
18 different handling on the administrative end. For one thing, we consider this to be a
19 repooling and as such to be handled as any other repooling of a tract that was
20 omitted from the initial pooling.

21 MARK SWARTZ: And I think...you know, we've had a debate for
22 months about what all that means. We kind of get to the same outcome. We just
23 call it something different. I don't..by my silence I'm not buying into that, but we get
24

1 to the same point.

2 PETER GLUBIACK: Just for the record too, Mr. Wampler, I would
3 concur with Mr. Wilson. There is a difference. I think that the correct term should
4 be repooling and we're going to address that issue in due time.

5 BENNY WAMPLER: That's what the Board is...is doing is considering
6 a repooling application and Mr. Swartz is still standing on his record as...what I'm
7 hearing you as far as a repooling.

8 MARK SWARTZ: Well, except---.

9 BENNY WAMPLER: ---a repooling. I understand that—.

10 MARK SWARTZ: ---I've accommodated that request. I'm just saying
11 that, you know, if we have an appeal, I don't want somebody arguing that, you know,
12 we waived the...as I understand what the Board wanted us to do...the Board was
13 concerned that tracts needed to be pooled and that these tracts weren't completely
14 pooled and that we were supposed to do that. I mean...and I think that is what Mr.
15 Wilson has just said.

16 BOB WILSON: Yes.

17 PETER GLUBIACK: Repool.

18 BENNY WAMPLER: Yes. We are considering this a repooling
19 application even though it may say in it in a modification. It is a repooling as far as
20 this pooling. Mr. Glubiack.

21 PETER. GLUBIACK: Mr. Swartz, are you----?

22 MARK SWARTZ: Yeah.

23 PETER GLUBIACK: Okay. Thank you, Mr. Wampler.

24

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1 BENNY WAMPLER: Thank you.

2 PETER GLUBIACK: For purposes of....and I know you have been
3 here and you're going to be here a a lot longer. You're going to be here a lot
4 longer. We have three specific items. I want to give you a heads up on that. We
5 have some exhibits to go along with each of them. One or two of them may be
6 fairly quickly disposed of. One of them, I think, has some significant documents to it
7 that needs to be addressed.

8 The first one is it is our contention, based on some documents that
9 we're going to show you, Mr. Sheffield requested information from Mr. Arrington on
10 September the 5th. We're going to give you a copy. You might as well pass that
11 around. For purposes of this, I'm going to treat this all as Exhibit 1. This is all
12 pertaining to acreage disputes. The cover letter...you can just start...the cover letter
13 was sent in September. Mr. Sheffield requested clarifications. These all pertain to
14 the acreage within VP8SGU3 that we are here today to repool. There is a map of
15 the unit here which we will address. There is also a list from the E schedule with
16 regards to acreages, which we think are incorrect. And, finally, there is an exhibit,
17 and I apologize for the paperwork, but it simply has to be done, there is a record
18 from the county tax maps indicating the acreage for these tracts.

19 The purpose of this first exposition if you will, pass these around, is to
20 have Mr. Sheffield testify that there are acreage discrepancies still within the
21 individual tracts in this unit. The second item we intend to address is, and this will
22 have the second set of document is, Mr. Sheffield sent a certified letter to Mr.
23 Arrington back on September the 7th requesting that he be permitted to

24

1 participate...elected to participate within a timely fashion. We're going to talk about
2 that. But that may be simply disposed of by them saying yes you can and here's
3 how you do it. But it goes without saying, that he requested it in September. He
4 has...literally, he has checked with them and he has not told him how to do that.

5 The third item is we have some serious concerns about the AFE for
6 this gob unit being four million---.

7 JOHN SHEFFIELD: Four hundred ninety-one thousand.

8 PETER GLUBIACK: ---four hundred ninety-one thousand. We think
9 there is some documentation that amply illustrates they have already taken expenses
10 for all of those wells. The four million is simply surplus in itself.

11 Let me start with the acreage first.

12

13

14

15

16 JOHN SHEFFIELD

17 having been duly sworn, was examined and testified as follows:

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. GLUBIACK:

20 Q. Mr. Sheffield, I think we've handed out the exhibits at this
21 point. They're coming around. Specifically, what is your concern regarding the
22 acreages on the maps?

23 A. On Tract 18---.

24

--

1 Q. And these are all tracts...we're referring to the map that was
2 signed and sent by Mr. Morgan on 2/20/06 and this is purports to be the unit map
3 of SGU3, is that correct?

4 A. Correct. On Tract 18, J. W. Pobst, et al, it states that it's a
5 277.35 acre tract. And it appears that that tract and Les may know better than me
6 and he probably does, it appears that tract is 100% within the gob unit...the
7 boundaries are within the gob unit. It comes up to 270., was it, 82, I believe, or
8 92?

9 Q. 270.92.

10 BRUCE PRATHER: 92.

11 A. 270.92. I'm sorry, I apologize. And that's on our long sheet
12 here that explains what that tract is. I guess, I'll make an exhibit of that.

13 Q. We did.

14 A. Okay. And then Tract 22 was shown to be an 147 acre
15 tract and it reduces it to about 119, I believe. That is in two gob units. VP8SGU1 is
16 to the right of the map or I guess that would be to the east. And that tract is right
17 here, Tract 47. It has 11 acres over in VP8SGU1. So, if you add those two
18 acreages together it would only come up with like 130 acres, I believe.

19 Q. So, the acreage is not accurate according to what they're
20 Exhibit E says?

21 A. Right. It's not accurate as to what to the records of the
22 county say.

23 Q. Let me point out there, we've given them tax maps. It is
24

1 your...is it your testimony that the acreages at the top of this Exhibit E that says, for
2 instance, on 18, 277.35 is what the county is showing you?

3 A. Yes. Yes.

4 Q. And yet on 18, for example, the unit map in Exhibit E shows
5 270, which is about a difference of about acres?

6 A. Correct.

7 Q. To your knowledge, have you ever received a survey showing
8 how that acreage was varied from 277 to 270?

9 A. No, sir.

10 Q. To your knowledge, have you ever received a survey showing
11 how the acreage was varied on any of these other tracts that you have in dispute?

12 A. No, sir.

13 Q. In fact, is there an example of an acreage that is Consol
14 Coal Company that's actually listed as a 120 and, in fact, on Exhibit E is a great
15 deal larger?

16 A. Yes.

17 Q. And what tract is that?

18 A. That's Tract 37, which borders tract 18 to the south and
19 west, I believe.

20 Q. So, is it your assumption that the acreage...it has got to be
21 there somewhere?

22 A. Yes, somewhere.

23 Q. The acreage that you had and didn't have any more---?
24

1 A. I don't know. This one increased and mine didn't. This is
2 the tax record to this Tract 37 and Tract 122. It's under Yukon Pocahontas in gas
3 and oil. It Shows to be a 128 acre tract.

4 Q. And what does Exhibit E show Consol owning?

5 A. 167.58.

6 Q. Which is 47 something acres larger than it showed on the
7 tax maps or on their...the records that you've been able to see?

8 A. Yes.

9 Q. And, again, you've never seen any survey of tract 37, which
10 indicates how big or how small it is?

11 A. No, sir.

12 Q. But it's your testimony that it varies from the county records?

13 A. Correct. There's one more tract.

14 Q. Okay.

15 A. It's not large, but it's Tract 39, which falls between Tract...I
16 believe, that's Tract 41 or 40 and between Tract 18 and Tract 43 and that's Tract
17 39, which it's a deeded acreage, at the county for tax purposes of 116.9 and I have
18 that in the tax ticket there. It is being paid out at 119.64. And it's increased by 2
19 acres---.

20 Q. And, again, who owns that tract?

21 A. It says Consolidated Coal Company, et al, Big Vein, Tract
22 46.

23 Q. So, have you found any tracts in your review of Exhibit E

24

1 that Consol or any of it's subsidiaries owned that are actually smaller than what the
2 tax records show?

3 A. I'm sure there are some that may have been cut off or
4 something such as might have been.

5 Q. But the ones that you are aware of are actually larger?

6 A. This 37 and 39 because they have butted mine. That's why
7 I went and looked.

8 Q. And is it your concern that the acreage came from whatever
9 tract...what you were supposed to have according to the tract records and your
10 deed?

11 A. I guess, we wouldn't know that unless we have a survey.

12 Q. And you don't have a survey?

13 A. No, sir, I have do not.

14 Q. Nor have you ever seen one from CNX?

15 A. No, sir.

16 (Off record discussion.)

17 MR. GLUBIACK: I think the point, Mr. Wampler, is that it's our
18 contention that even though this is a repooling of the unit, there are discrepancies in
19 acreages that are not explained that are on the exhibit. These are not made up
20 numbers. These are exhibits that are provided as part of the application by CNX, by
21 the applicant, and the acreages vary. And I don't need to tell you there has been an
22 ongoing controversy about this plat versus survey. Equitable is somebody that
23 typically supplies a survey as you'll note across the board uniformly for the past
24

1 fifteen years and CNX and its predecessors have supplied what they call a plat
2 stamped by Mr. Clyde Morgan, Professional Engineer, not a survey. We don't have
3 a survey. We have discrepancies in the acreages throughout this unit.

4 The point I'm making your affording CNX over a 4500 acre gob unit
5 the ability to extract gas, some of which belongs to my client, obviously and others,
6 based on records that we think are inaccurate. We think they're simply a
7 record...using their own records, there isn't a survey. If there's a survey, we would
8 like to see it and that's fine, it may resolve it. But there are discrepancies over a
9 course of several units belonging to Mr. Sheffield and his brother through the Trust
10 that are inaccurate, at least on their face they're inaccurate. There may be
11 explanations, but we haven't seen them. So, I'm going to put that to bed and just
12 raise that as an issue and we object based on that.

13 Item number 2---.

14 JOHN SHEFFIELD: Do you want me to hand that out?

15 PETER GLUBIACK: Sure.

16 BENNY WAMPLER: Understand, I'm not going to stop the hearing at
17 noon. I'm just going to stop the testimony at noon.

18 PETER GLUBIACK: I have a hearing that I have to be...but thank
19 you.

20 BENNY WAMPLER: Okay.

21 JOHN SHEFFIELD: I just handed out is X-14F well and that's an 80
22 acre unit, the X-14 unit. If you notice the yellow highlighted that is the----.

23 PETER GLUBIACK: Mr. Sheffield, this was prior to the gob unit being
24

1 created?

2 JOHN SHEFFIELD: Yes, this was in March, I believe, of '04. This is
3 a well plat, an 80 acre unit. It shows that the Tract Number 122, which is the tract
4 in the gob unit that shows to be paid out at 167 acres. And it shows here Tract
5 Number Yukon Pocahontas Coal Corporation, et al Tract 122 at 120 acres.

6 PETER GLUBIACK: Which is the exact same tract that's discussed in
7 the application for the gob unit?

8 JOHN SHEFFIELD: Correct.

9 PETER GLUBIACK: Which they're listing at 167 acres?

10 JOHN SHEFFIELD: Correct.

11 MARK SWARTZ: Again, you have not seen a survey, the only thing
12 we've got so far is a well location plat?

13 JOHN SHEFFIELD: No.

14 MARK SWARTZ: Okay. All right. I'm going to leave that issue there,
15 Mr. Wampler. I want to move on quickly to the election. I'm simply going to show
16 in a handout proof of a certified letter.

17 JOHN SHEFFIELD: By the way, there's two certified return receipt
18 mails...mailings there. One of them was on the letter you already received asking
19 about the differences in acreages. We had them both on one sheet, I apologize.

20 PETER GLUBIACK: Mr. Sheffield, I'm going to leave this with you.
21 You sent a letter to Mr. Arrington requesting the election to participate and is it your
22 position to do it in a timely fashion within thirty days of when you received the order?

23 JOHN SHEFFIELD: Yes.

24

1 PETER GLUBIACK: And by this, you have proof of publication?

2 JOHN SHEFFIELD: Yes.

3 PETER GLUBIACK: And on September the 7th, you requested the

4 election and the ability to participate and have you received any response since the--

5 -?

6 JOHN SHEFFIELD: Well, I asked for them to send me the numbers

7 because I have various tracts that were unleased and I...I haven't and I have the

8 mailings or their letters here.

9 PETER GLUBIACK: Right.

10 MARY QUILLEN: Mr. Chairman, we don't have copies of that.

11 There's not enough copies.

12 JOHN SHEFFIELD: Of which one?

13 MARY QUILLEN: This last one that you just gave out.

14 BENNY WAMPLER: We got it. We got it now.

15 JOHN SHEFFIELD: Oh, okay. I'm sorry.

16 PETER GLUBIACK: We have one more. That's simply a question,

17 Mr. Chairman...we're in a position where Mr. Sheffield's position is that he's made a

18 timely election. He has not been afforded an opportunity to participate. He doesn't

19 know how that's going to happen. We'd like the Board to ask CNX to at least order

20 them in a timely fashion to tell us how to do it.

21 BENNY WAMPLER: Well on a repooling, just so you know that, on a

22 repooling by that term he gets another bite at the apple.

23 PETER GLUBIACK: Thank you. We can do it again, but we've

24

1 already done it once. It would be nice if, you know, but obviously that would be
2 nice. We'll reelect. So, maybe that issue can be put aside if we're going to repool
3 and we will do it again.

4 BOB WILSON: Mr. Chairman, that would be only on those tracts that
5 are subjected to this repooling.

6 BENNY WAMPLER: Right.

7 PETER GLUBIACK: And as you can see from that list, there are a
8 great deal more tracts. So, I'd like to..that is a good point. On Tracts 52 and
9 Tracts 41, we may be able to reapply, but I think what we wanted to show is there
10 had been a formal timely application to elect to participate and we would like CNX to
11 give us the information to be able to do that.

12 BENNY WAMPLER: That's not subjected to this repooling.

13 BOB WILSON: Correct.

14 PETER GLUBIACK: I didn't...I missed that. What's
15 that---?

16 BENNY WAMPLER: That isn't subjected to this repooling, that part of
17 the component of what you're bringing.

18 PETER GLUBIACK: That's correct.

19 JOHN SHEFFIELD: That's correct.

20 BENNY WAMPLER: So, that would have to be a subsequent
21 application as far as I'm concerned to the Board.

22 PETER GLUBIACK: To address that issue?

23 BENNY WAMPLER: To address that issue.

24

--

1 JOHN SHEFFIELD: Okay, as a miscellaneous.

2 BENNY WAMPLER: I mean, we can't combine---.

3 SHARON PIGEON: We don't have that.

4 BENNY WAMPLER: We don't have that before us---.

5 PETER GLUBIACK: Yes, ma'am. Yes, sir.

6 BENNY WAMPLER: ---formally. So, that would have to be noticed

7 and etcetera.

8 PETER GLUBIACK: Given that point, we have some information

9 regarding the AFE, but we'll simply file that as a miscellaneous petition also because

10 that's a separate item.

11 BENNY WAMPLER: Okay.

12 PETER GLUBIACK: It does not specifically address the repool. In

13 summary then, I'll cut to the chase---.

14 BENNY WAMPLER: You...I want to make sure you understand.

15 PETER GLUBIACK: I understand. We're going to file a miscellaneous

16 petitions on the methodology for election to participate as well as our objections to

17 the AFE, the costs for the wells. I understand.

18 BENNY WAMPLER: Okay.

19 PETER GLUBIACK: Back to my original point, I have two...two items.

20 Number one is I think the acreage is not surveyed. We have discrepancies. I am

21 not sure how you can grant a pooling order on an enormous gob unit as to SGU

22 (inaudible) acres when we know on several of those, on the face of their own

23 exhibits, there appear to be discrepancies. So, we'd ask the Board to order

24

1 those...at least those tracts belonging to Mr. Sheffield be surveyed and these
2 discrepancies that we've raised be addressed.

3 BENNY WAMPLER: Is that the relief that you're asking?

4 PETER GLUBIACK: That's the relief we're asking for.

5 BENNY WAMPLER: Mr. Swartz.

6 MARK SWARTZ: I haven't heard anything about Tract 41 or 52 and
7 those other two tracts that we're repooling. I could spend a lot of time examining
8 Mr. Sheffield and arguing about stuff, but I haven't heard one word about either one
9 of those tracts and I would ask if the Board approve the repooling of Tracts 41 and
10 42. We have also, in our application, requested that when those are repooled the
11 people who are in those tracts have an opportunity to reelect or elect. And, so, I
12 would ask that the Court grant my application because I haven't head one word
13 about either one of those tracts.

14 JOHN SHEFFIELD: Well, I believe, Tract 41 is at the bottom of the
15 gob unit, it was cut off. It was a 47 acre tract that now has 10.67. Is that correct?

16 MARK SWARTZ: Well, if the whole tract isn't in the unit, Mr. Sheffield,
17 wouldn't you agree that you should only be paid on the piece of it that's in the unit?

18 JOHN SHEFFIELD: That's...I think that's what you asked for was
19 10.67 acres, correct, on Tract 41?

20 MARK SWARTZ: What's your complaint with regard to 41? I haven't
21 heard any complaints on---.

22 JOHN SHEFFIELD: Well, there's no sur....I don't see a survey of it.
23 It's not in a well plat. I mean, a well plat is what I gave the Board a minute ago, an
24

1 80 acre plat.

2 PETER GLUBIACK: Mr. Sheffield, let me touch this. On item
3 number....Tract number 47, John W. Pobst—.

4 JOHN SHEFFIELD: 41.

5 PETER GLUBIACK: ---41...John W. Pobst, Pobst McGuire 47.7 acre
6 tract, they're paying you based on a repool of 10.67 acres and yet what your
7 objection is that you don't any survey. They decided it's 10.67 acres based on a
8 plat, which was supplied apparently stamped by Mr. Morgan but there is no survey.
9 How did they get to 10.67 acres? Do you know?

10 JOHN SHEFFIELD: No, sir, I do not.

11 PETER GLUBIACK: And do you object to the fact that that may be
12 accurate or it may be inaccurate?

13 JOHN SHEFFIELD: Correct, I do object.

14 PETER GLUBIACK: And you haven't seen any evidence at this point
15 that shows how to get there? Admittedly, some of this tract is in another gob unit or
16 another unit entirely maybe.

17 JOHN SHEFFIELD: Well, it's a non-producing tract. It will not have
18 produced any coalbed methane until it was put into the gob unit.

19 PETER GLUBIACK: But you don't know...they say 10.67 acres,
20 they're...they're defining that to a hundredth of an acre. Do you have any evidence
21 how they got there?

22 JOHN SHEFFIELD: No, sir.

23 PETER GLUBIACK: And do you object to that number?
24

1 JOHN SHEFFIELD: Yes, I do.

2 PETER GLUBIACK: That's our objection, Mr. Wampler.

3

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6

7 LESLIE ARRINGTON

8 DIRECT EXAMINATION

9 QUESTIONS BY MARK SWARTZ:

10 Q. Mr. Arrington, how do you determine on a map such as the
11 plat for this sealed gob unit what portion of tracts are in a unit and should be paid or
12 the entire tracts, how does that determination made by CNX?

13 A. Well, we take the actual mine map and try as best we can
14 determine what we feel would be the actual boundary that confines of that sealed
15 gob unit. And once we do that, a title opinion is run from the Courthouse of every
16 tract within that area. It's actually plotted on a topo...a topo map and delineated
17 within that boundary. Every tract within that chain of title is plotted. 99% of the
18 deed descriptions within the Courthouses do not close. And to show exactly the
19 exact acreages that he's speaking to is really not possible because once you match
20 up your neighboring tracts along the ridges that's generally how the...all this stuff
21 runs with the ridges, with the valleys and you plot those on there, that's how we
22 come up with these acreages.

23 Q. If you're looking at VP8 sealed gob unit the plat that Mr. Morgan

24

--

1 certified---?

2 A. Yes.

3 Q. ---are these boundaries...boundaries that you have platted

4 with the assistance of title reports on each tract?

5 PETER GLUBIACK: I'm going to object, Mr. Wampler.

6 A. Yes, sir.

7 PETER GLUBIACK: The point here is we're talking about surveys.

8 They're talking about title pools and deed records. If they can produce a survey then

9 that's fine, I'd like to see it. But if this is a very fundamental issue. They're defining

10 terms down to a hundredth of an acre. They're purporting to take my clients gas

11 and pay him a royalty on it based on that number. If they're going to be that

12 accurate, then they ought to give a survey. It may be hard, it may be difficult but it

13 can be done. And they've been, you know....that's the point.

14 BENNY WAMPLER: I'm going to overrule the objection and let him go

15 ahead. I think, you know, just because the Board has to make a determination here

16 whether or not we have law and etcetera that would require a survey in all these

17 cases.

18 Q. Mr. Arrington, with regard to the tract lines within the sealed

19 gob unit, you've described how those lines are generated, correct?

20 A. Yes.

21 Q. Okay. Would they be different than tax map lines?

22 A. Absolutely. None of the lines---.

23 Q. What would be a reason or reasons why the platting that

24

1 you've done within this field job unit might differ from the plats in the assessor's
2 office or the tax maps?

3 A. Yes. Most of the information that's a general descript map
4 that's in the tax assessor's office first of all; second, most all cases...not all but in
5 most cases these old cases that's in the Courthouse that gives acreages or just...the
6 surveys that's in there do not close. We have to force those to make them fit to all
7 the neighbors. Every tract on this map is platted to a topographic map. Should we
8 get a deed description that is really undescribable, you know, just going from a tree
9 to a... there's actually somebody that goes to the field and tries to find that...those
10 corners or talk to the neighbors and find those property corners. Do we survey
11 properties? No sir, we do not.

12 Q. Okay. Now, when you have completed your map and the
13 neighbors have boundaries, okay, so you've done your title work, you've platted this,
14 you've gone to the field, if necessary, and you've completed your map, how do you
15 calculate acreage within these individual tracts?

16 A. That's good. In this boundary now..nowadays this is all done
17 by computers. When we do this outside boundary it came out to 4,954 acres and
18 I'm not sure of the hundreds, but it came out when you punch that button that was
19 the acres. And then what we started doing, we start perimeter on each tract and---.

20 Q. Perimeter is a technical word for you run the outline each
21 tract---

22 A. Yes, sir.

23 Q. ---so that is inputted in the computer and then the computer
24

1 calculates the acreage within that input---?

2 A. Yes, it does.

3 Q. ---and that's the perimeter?

4 A. Yes.

5 Q. Okay. And have you done that for every tract in this field

6 sealed gob unit?

7 A. Absolutely, every tract.

8 Q. And the results that you got when you did all of that work

9 are they reported in the tract identifications and in Exhibits B-3 also?

10 A. Yes, sir.

11 Q. Okay. So, with regard to the two tracts that we're talking

12 about today, Tracts 41 and 52, was this process followed?

13 A. Yes, it was.

14 Q. And what is your view, as we sit here today, as to whether

15 or not the acreage that you've assigned to Tract 41 and the acreage that you've

16 assigned to Tract 52, for purposes of describing what portion or portions of those

17 tracts are in this field gob unit, whether or not those descriptions and assignment of

18 acreage is accurate?

19 A. Again, we used the perimeter and we did very little rounding.

20 We didn't round up to the nearest acre or whatever and it just...that's how it worked

21 out, you know.

22 Q. With regard to the question of surveys, what is your

23 understanding as to whether or not the tax maps are the result of someone going out

24

1 and surveying each parcel that's listed in the tax department?

2 A. The tax maps are just actual depictions on the map.

3 Someone actually just sitting in the Courthouse drawing that tract on a map and in
4 many cases those tracts are not even on the maps.

5 Q. To your understanding, does the tax department try to
6 understand and accommodate differing neighbors' descriptions to make them have
7 one boundary as opposed to overlapping boundary?

8 A. I'm not sure what the Courthouse does.

9 Q. Okay. You know what you do?

10 A. Yes.

11 Q. With regard to the issue that was risen in terms of the
12 platting, Mr. Chairman, I think that's what I would like to offer.

13 BENNY WAMPLER: Mr. Wilson, do you have anything... any
14 comments to the Board?

15 BOB WILSON: No, sir, not at this time.

16 BENNY WAMPLER: The regulation says a plat, it doesn't say a
17 survey. And I think that, you know, from my standpoint and just discussion of what
18 we have before us is a certified plat. It may not be accurate. I don't know whether
19 it's accurate. I don't think anybody on this Board can tell whether it's accurate.

20 BRUCE PRATHER: Mr. Chairman, could I add to this. The way the--
21 -.

22 BENNY WAMPLER: Mr. Prather.

23 BRUCE PRATHER: The way the tax maps were set up originally, they
24

1 used the metes and boundaries off the deeds when those things wouldn't close. The
2 Department of Agriculture started these aerial photos back in about 1950. So, what
3 the tax maps are are a combination of the aerial photos plus the original deeds.
4 Now that's what you're looking at.

5 MARK SWARTZ: Sometimes...and I'm...and I haven't been in
6 Buchanan County for a while looking at tax maps. But sometimes I remember
7 seeing, and I don't know if it was here, aerial photos with lines drawn on them. Is
8 that what they---?

9 BRUCE PRATHER: Yeah, that was to supplement because the
10 original deeds wouldn't close.

11 PETER GLUBIACK: But, Mr. Chairman, don't you understand the
12 point that I'm trying to make here is we've illustrated, for instance, Tract 18 from their
13 maps is 7 acres off. They don't have an explanation for that. I understand that
14 we're talking about 41, but the point here is we have surveys from several of the
15 other companies who feel it is their obligation. They're taking property based on a
16 plat that's based on records that they've guesstimated. Mr. Arrington's testimony is
17 they do the best they can. But he's not going to sit here and tell you...swear to you
18 under oath they're accurate nor is Mr. Morgan. But the point I'm making is that they
19 ought to be held accountable for the acreage discrepancies. We don't... they...they
20 take a 47 some acre tract, they reduce it to 10.67 acres, they purport to be accurate
21 with a hundredth of an acre and yet they're just using a plat. That's plats for wells.
22 That's not plats for this gob unit. So, I think the Board is cutting them, you know,
23 an awful lot more slack than other companies get by letting them say this is a
24

1 certified plat of a 4500 acre unit that has never been surveyed.

2 BENNY WAMPLER: Well, you know, I'll tell you this, this Board is not
3 cutting them any slack. We haven't made determinations on those other companies
4 that you've talked about nor has that been challenged before this Board. You're now
5 challenging before this Board this. What I'm telling you we can hear is for 52 and
6 41. That's what I'm---.

7 BOB WILSON: Mr. Chairman, I might point out that the regulation
8 makes an allowance for placing tracts on plats that have not been surveyed. They
9 are shown---.

10 BENNY WAMPLER: Right.

11 BOB WILSON: ---differently on the plat. The survey... any survey
12 tract is shown on a solid line and any unsurveyed tract is shown in a dashed line.
13 So, the regulation does actually make---.

14 PETER GLUBIACK: The only thing that I would point out, is Tract 52
15 isn't even on this map, Your Honor...Mr. Wampler. You know, where is it? And
16 where did it come from? You know, it was repooled, but where did it come from?
17 It's on the last page on Exhibit E. It's 4.73 acres. Where is it? On the application
18 I have, I don't have a 52. Where is it?

19 BOB WILSON: Mr. Chairman, Tract 52 is shown on the display that
20 was just presented to us in the far right hand
21 side about a third of the way up from the bottom just inside the boundary that's
22 marked 119.87.

23 JOHN SHEFFIELD: I provided those documents. Theirs didn't. By
24

1 the petition I'd like to know where Tract 53 is because they added that from their
2 original final order. Tract 53 was not in the original filed copy in Buchanan County.
3 I have a copy of it here, but they added it in this repool that's supposed to be, I
4 guess, as they say, John Sheffield.

5 BENNY WAMPLER: Well, we're going to break for lunch like we told
6 the others and we'll reconvene at 1:00 o'clock.

7 PETER GLUBIACK: Thank you, sir.

8 (Break for lunch.)

9 BENNY WAMPLER: Just as a recap, we have before us an
10 application by CNX for repooling of Tracts 52 and 41. Discussion as follows. The
11 last thing that we were addressing when we broke was the lack of identification of
12 Tract 2 in the application of Tract 52 on the application plat and I was referring to
13 Mr. Swartz.

14 MARK SWARTZ: Okay.

15

16 LESLIE K. ARRINGTON

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. SWARTZ:

19 Q. Les, do we have a copy of the map or plat that was filed
20 and recorded when the order that was entered by the Board in this case was
21 recorded?

22 A. Yes.

23 Q. Okay. And is Tract 52 clearly shown on that map?

24

--

1 A. Yes, it is.

2 Q. And it's in a block of unmined coal, because I'm going to

3 pass this map around to the Board because you guys probably don't have this, but is

4 it in a block...a solid block of coal off to the east of the map?

5 A. Yes.

6 Q. Okay. And it has got number 52?

7 A. Yes.

8 Q. And that was what was recorded when the order that we're

9 seeking to modify or repool was entered?

10 A. Yes.

11 Q. From looking at that and looking at the map or plat that was

12 submitted with the application, can you tell us whether or not a mistake was made

13 and an earlier map was attached to this application?

14 A. That was a previous version that was submitted. In total

15 error that we submitted that.

16 Q. Okay.

17 A. And we will certainly, if needed, we will send in a revised

18 plat.

19 Q. I'm just going to pass this around so you can see that.

20 MR. GLUBIACK: Mr. Chairman, if I might ask a question in relation to

21 that.

22 BENNY WAMPLER: Let me ask one first.

23 MR. GLUBIACK: All right.

24

25

1 BENNY WAMPLER: This is on 52, is that correct,
2 that---?
3 LESLIE K. ARRINGTON: Yes, sir---.
4 BENNY WAMPLER: ---you're addressing.
5 LESLIE K. ARRINGTON: ---52.
6 BENNY WAMPLER: Okay, does that show the same 4.87 acre?
7 MARK SWARTZ: We're about to come to that. Okay---.
8 BENNY WAMPLER: Okay. I'm going to let you go ahead and ask
9 your question.
10 MR. GLUBIACK: Well, we may want to do that, but I've also got a
11 question because it appears on the schedule E, I believe, or one of the schedules
12 that there is, in fact, a Tract 53, which is being force pooled and I don't see that
13 either. So, that's why I am...that's why I actually confused 52 and 53. The map
14 that you got from Mr. Sheffield had 52 because it was an earlier map. But we
15 actually fixed the problem that we were raising, but the problem I have is the
16 application didn't have 52 and I'm raising another concern in that I'm not
17 sure...altogether sure that there is a 53 on any map and yet I believe at the end of
18 schedule E there's a 53...a Tract 53, a four point something acres. I believe it's a
19 Rowe. I'm asking that question. If there, in fact, is a particular---.
20 BENNY WAMPLER: It's Eddie Rowe Ray Heirs is what it has.
21 MR. GLUBIACK: I don't see a 53 on any of the maps.
22 MARK SWARTZ: To stay with the what was on the table today and
23 what was on the table when the Board entered its order and what was the acreage,
24

1 Tract 52 I'm going to pass around to the part of the Board...well, let me show to
2 you, Les.

3

4

LESLIE K. ARRINGTON

5

DIRECT EXAMINATION RESUMES

6 QUESTIONS BY MR. SWARTZ:

7 Q. In the Board order that was entered in this case, was Tract
8 52 referred to in that order in Exhibit B-3?

9 A. Yes, it was.

10 Q. And what acreage was assigned to that tract?

11 A. 4.73 acres.

12 MARK SWARTZ: Okay, let me pass this around. This was what was
13 entered with the Board's order and the acreage.

14 Q. Have you had a chance to look at the tax map records that
15 Mr. Sheffield brought today and compare the tax map record that he brought and the
16 acreage on that map for Tract 52 to the acreage that was in the pooling order that
17 was entered in this case?

18 A. Yes, I have.

19 Q. And what was the tax map acreage?

20 A. I believe it was 4.87 acres.

21 Q. And the acreage reported in the Board order that was
22 entered in this case was how many acres?

23 A. 4.73.

24

--

1 Q. A difference of .14 acre, correct?

2 A. Yes, sir.

3 Q. And while we're on the tax map comparison, let's look at the

4 tax map data that Mr. Sheffield brought in with regard to Tract 41. Do you have that

5 exhibit in front of you that he brought in here?

6 A. Yes, sir.

7 Q. Okay. And what was the tax map acreage for 41?

8 A. 47.7 acres.

9 Q. Okay. And in the Board order, I'm going to find this

10 here...okay, and for Tract 41...here we go. Here's the page of the Board order that

11 was recorded that reported an acreage for Tract 41, right?

12 A. Yes.

13 Q. And that showed that there was a portion of the Tract in the

14 unit, correct?

15 A. Right.

16 Q. And that acreage was reported as 10.67, right?

17 A. Yes.

18 Q. And then the Tract identification showed that that is in fact a

19 larger tract, correct?

20 A. That's correct it does.

21 Q. And what is...the tract identification shows the total acreage

22 in that tract?

23 A. It shows...what we've done there is as we recorded that tract

24

1 we did indicate what the deed acreage is and we recorded 47.7 acres. I believe
2 that's---.

3 Q. How does that compare to the tax information that Mr.
4 Sheffield brought in?

5 A. Yes, that's the same acreage. What we do, as we go
6 through these things, we actually list those...most of the time list those acreage in the
7 first part of our tract identification.

8 Q. And when you platted the map that became a part of your
9 submission to the Board that was the tracts or the portions of the tracts within this
10 sealed gob unit, okay, did you attempt to plat or (inaudible) any areas of any tracts
11 that were outside of that boundary?

12 A. No, we did not.

13 Q. Okay. So, although you reported 47.7, you don't know if
14 that's the total acreage in that tract?

15 A. No.

16 Q. And the reason that you don't know that is part of it's not in
17 the unit?

18 A. That's right.

19 Q. Okay. Were you prepared to discuss Tract 53 today?

20 A. No, sir.

21 Q. Okay. If you needed to discuss this, can you get prepared
22 with a title for that issue?

23 A. Yeah, we could.

24

--

1 Q. Okay.

2 A. Not today.

3 MARK SWARTZ: That's all I have.

4 BENNY WAMPLER: Mr. Glubiack.

5 MR. GLUBIACK: Just a couple of points, Mr. Chairman. We have no
6 way of knowing if there is a Tract 53, and apparently there is on the application for
7 the repooling. We don't know as I sit here and Mr. Arrington just testified he's not
8 prepared to talk about it whether that, in fact, impacts or comes from Tract 52.
9 Since it's not on a map and not plotted and we don't know where it is, I have a very
10 difficult time telling my client that we know that this is accurate.

11 The other thing that I want to raise is that we feel like the repool, first
12 of all it was Tract 53. We don't know where that is. We think there has been...and
13 this impacts it because there's a small acreages adjacent. There seems to be a
14 switch between the final order on Tract 49 and in Tract 50 there is a switch in terms
15 of the repool discrepancy between the final order and the repool on Tracts 49 and
16 50. They can potentially or could potentially affect the acreage attributable to Mr.
17 Sheffield. Once, again, Mr. Chairman, I think in all honesty I feel like I know where
18 you're going and the Regs...at least I think your interpretation is that a plat is
19 permitted. I think that the course of action by other companies is a survey. I think
20 when CNX is purporting to take gas under a 45 acre...4500 acre tract of land and is
21 doing so on what Mr. Arrington testifies is based on tax records and deeds records
22 that he himself admitted are fraught with error. I think that when they're going to give
23 an acreage to Mr. Sheffield that's accurate they purport to the hundredth of an acre,

24

1 then it ought to be a survey. I understand that's your prerogative but I'm requesting
2 that CNX be ordered on Tract 41 to survey that. If they think it's 10.6...7 acres out
3 of an original tract of---

4 JOHN SHEFFIELD: 47.7.

5 MR. GLUBIACK: ---47.7, then I would ask the Board to order them to
6 prove it. The only way I know to prove it is not a plat based on laying stuff on topos
7 and guesstimating, but go out there and make a survey. They're taking property
8 owned by my client. You're giving them that authority. In order to do that, I think
9 they ought to be accurate. So, I'm formally asking the Court...the Board to request
10 or order CNX to do a survey of this disputed tract.

11 BENNY WAMPLER: Any questions from members of the Board?

12 (No audible response.)

13 BENNY WAMPLER: Sharon, do you have any revelation for us?

14 SHARON PIGEON: The regulation says they can file a plat and I think
15 that that's pretty clear. Mr. Sheffield could have certainly produced a survey and
16 challenged what they have. But he's just saying what the regulation requires isn't
17 sufficient and the regulation is very clear about what it requires.

18 BENNY WAMPLER: Mr. Wilson, do you have anything?

19 BOB WILSON: No, sir. This, again, is similar to some of the
20 discussion that we had earlier in the day relative to another matter. I think it goes to
21 the Board's authority to get involved in what turns out to be disputed boundaries or
22 disputed acreage amounts. There has been precedent...there is a precedent for the
23 Board to actually escrow money from overlapping tracts when there were competing
24

1 boundaries submitted to the Board. I don't know of any precedent for making a
2 decision as to when you have two competing claims and nobody has a contesting
3 boundary to offer. But, again, it's the sort of fundamental question in my mind as to
4 what the Board's jurisdiction is relative to property disputes.

5 MR. GLUBIACK: Mr. Chairman, if I might, one quick comment,
6 understanding and respectfully saying what Mr. Wilson is indicating. But what I want
7 the Board to understand is that this is a little different situation. You're approving a
8 situation where they're saying...CNX is saying it's 10.67 acres. This is not a
9 situation where this is just out there. You're approving that. You're enacting that
10 into law so to speak. It's getting recorded and we're saying that it is based on other
11 acreages and based on changes which we're doing apparently without a survey, we
12 think there's reasonably, based on a pattern of behavior in other tracts in this unit,
13 that the acreage is to be disputed. I think the only way to resolve that, you do have
14 the authority to do it and I would request you to do it. I think the standard of
15 practice in the industry is actually to get a survey. To my knowledge, the only one
16 that's not doing a survey. I may be wrong. But I'm aware of several others that do
17 a survey. They go to the expense to do it to avoid this. You're taking this man's
18 property. You're approving what they saying is a plat. Admittedly, the regulation
19 appears to give that authority. But I think you also have the obligation to think about
20 what's accurate and what isn't. So, I'll leave it at that.

21 BENNY WAMPLER: Discussion Board?

22 KATIE DYE: Mr. Chairman, my question---?

23 BENNY WAMPLER: Yes, Mrs. Dye.

24

--

1 KATIE DYE: ---here would be is Mr. Sheffield's correlative rights
2 being protected?

3 BENNY WAMPLER: Well, I mean, I guess that's part of what's being
4 raised if it goes to acreage. Typically, what the Board has done in the past, and I'm
5 not trying to sway the Board on ruling differently, but what the Board in the past has
6 done is said if Mr. Sheffield believes this acreage is wrong, then he brings us a
7 survey and we...something to rely on different than these numbers. Here, there's just
8 an open challenge that we don't believe these numbers are correct.

9 MARY QUILLEN: Mr. Chairman, I believe that we have had some
10 past cases where there were disputed boundaries that the people who were involved,
11 the owners or the heirs of the land, did provide a survey.

12 BENNY WAMPLER: We have.

13 BOB WILSON: I might you too, in at least one of those cases, there
14 was a survey provided by a land owner and subsequent to notice being issued
15 another land owner showed up with another survey that confounded and cont---.

16 MR. GLUBIACK: He did not show up with a survey, Mr. Wilson, he
17 showed up with a plat. This was the Kyle Robinson matter that you're referring to.
18 That...I'll take great exception not to you, but he did not show up with a plat. He
19 showed up and disputed the survey. I was here.

20 MARK SWARTZ: Well, you may have missed the one that he's
21 referring to because Mr. McClanahan comes to mind, but anyway.

22 BENNY WAMPLER: Other questions, comments or emotion?

23 BRUCE PRATHER: Mr. Chairman.

24

--

1 BENNY WAMPLER: Yes.

2 BRUCE PRATHER: Are we running into legal problems if we go
3 ahead and...on this thing without...with this dispute still---?

4 SHARON PIGEON: Well, he has some remedies for
5 his---.

6 BRUCE PRATHER: Pardon?

7 SHARON PIGEON: He has some remedies that---.

8 BOB WILSON: If this is on the record, you all need to speak up,
9 please.

10 BENNY WAMPLER: He said, "Are we running into..." He said, "Are
11 we running into legal problems if we approve this with the dispute?" The attorney is
12 saying that he has several remedies to solve his dispute.

13 SHARON PIGEON: His property dispute.

14 BENNY WAMPLER: Nothing...nothing the Board does here today is in
15 and of itself a finality. So, from that standpoint, I'd take exception to Mr. Glubiack's
16 characterization of the "taken". "Taken" doesn't occur until its actual and not...and it's
17 not an actual with the approval of an application before the Board. If the application
18 is inaccurate, then the burden is on the applicant to prove its accuracy and not
19 the...in the event of a taking...subsequent takings case. But it's clearly up to the
20 Board whether or not the Board feels it has the information here today to make a
21 decision. If it doesn't, then it's clearly within the Board's authority to continue it and
22 ask for additional information. So, having said---.

23 BRUCE PRATHER: I don't think we have that information. I mean,
24

1 like he says, the metes and bounds of these properties are in dispute, but they're not
2 in dispute by much and a survey is the only thing that's going to resolve it and that's
3 not our responsibility, I don't think. I may be wrong.

4 BENNY WAMPLER: It's not the Board's responsibility for sure.

5 MARY QUILLEN: Mr. Chairman, I have just one---.

6 BENNY WAMPLER: Ms. Quillen.

7 MARY QUILLEN: ---clarification because in our packet for this
8 particular item it is listed as modification of order rather than repooling. Could we
9 request that it be addressed as a repooling rather than a modification?

10 MARK SWARTZ: I think that's where Mr. Wilson started with this.

11 BRUCE PRATHER: Yeah, I think we've already done that.

12 MARK SWARTZ: So, I think that was the intent---.

13 MARY QUILLEN: So, the motion would be to approve the...this
14 particular item as a repooling item---?

15 BENNY WAMPLER: Yes. It would---.

16 MARY QUILLEN: ---is that correct?

17 BENNY WAMPLER: ---be a repooling, that's what I've said, in the
18 application and Mr. Swartz agreed with that---.

19 MARK SWARTZ: Right.

20 BENNY WAMPLER: ---after a little arm twisting.

21 MARK SWARTZ: Well, yeah.

22 MR. GLUBIACK: I didn't think he ever agreed, but that's good, okay.

23 BENNY WAMPLER: No, he did.

24

--

1 MR. GLUBIACK: Okay. Thank you.

2 MARK SWARTZ: I agree that that's what I've been told.

3 BENNY WAMPLER: The third...the third time I clarified it for him as a
4 repooling.

5 MARY QUILLEN: Mr. Chairman, a motion to approve the repooling of
6 this item.

7 BENNY WAMPLER: Is there a second?

8 (No audible response.)

9 BENNY WAMPLER: Hearing no---.

10 BRUCE PRATHER: It just looks to me like we are making decisions
11 based on not good information.

12 BENNY WAMPLER: Then I suggest we...you know, hearing none,
13 then that motion dies. I suggest that we continue this. We ask you to clean up your
14 application and refer to it as a repooling, clean up your mapping and hopefully the
15 parties will have time to get together and resolve their differences.

16 MR. GLUBIACK: Thank you, Mr. Chairman.

17 BENNY WAMPLER: We'll continue it until next month.

18 MR. GLUBIACK: Thank you, Mr. Chairman.

19 BENNY WAMPLER: Next is a petition from Equitable Production
20 Company...I'm just teasing. You've got to lighten this ground up a little bit here.

21 (Off record discussion.)

22 BENNY WAMPLER: Next is a petition from GeoMet Operating
23 Company, Inc. for pooling of coalbed methane unit Rogers 423VA, unit E-34, docket
24

1 number 08-0318-2166. We'd ask the parties that wish to address the Board in this
2 matter to come forward at this time.

3 TOM MULLINS: Mr. Chairman, my name is Tom Mullins. I'm with the
4 Street Law Firm. I'm here with Jeff Taylor of GeoMet. We're going to ask that
5 fifteen, sixteen, seventeen, nineteen and twenty be continued if that's acceptable to
6 the Board.

7 SHARON PIGEON: Would you repeat those numbers for me?

8 BENNY WAMPLER: I've got them.

9 TOM MULLINS: Sure. Fifteen, sixteen, seventeen, nineteen and
10 twenty.

11 BENNY WAMPLER: In addition to the docket number I just called,
12 we're going to go ahead and refer to these others. These are continued, docket
13 number 08-0318-2168 and 08-0318-2169 and 08-0318-2173 and 08-0318-2174.
14 Those are continued.

15 TOM MULLINS: Thank you, sir.

16 BOB WILSON: Mr. Chairman, may I---?

17 BENNY WAMPLER: Mr. Wilson.

18 BOB WILSON: ---make my...may I make my usual sermon?

19 BENNY WAMPLER: You may.

20 BOB WILSON: This really starts to complicate succeeding dockets
21 which are already pretty well loaded up when we can't get to items as they are
22 brought up here. You know, I'm sure they're extenuating circumstances, but we need
23 to see if we can't submit these things when we know we can handling them. We
24

1 don't have to keep carrying them forward and building up another docket. We have
2 to publish them again. It costs us money. It costs us time for handling. My
3 soapbox is kind of hollow now, isn't it? I'm sorry, go ahead.

4 (Laughs.)

5 TOM MULLINS: Thank you. We would like to have number eighteen
6 heard.

7 BENNY WAMPLER: This is a petition from GeoMet Operating
8 Company, Inc. for pooling coalbed methane unit Rogers 429VA, unit D-35, docket
9 number 08-0319-2170. We'd ask the parties that wish to address the Board in this
10 matter to come forward at this time.

11 TOM MULLINS: My name is Tom Mullins. I'm an attorney
12 representing GeoMet. With me here today is Mr. Jeff Taylor, an employee of
13 GeoMet.

14 GEORGE MASON: George Mason, attorney for LBR Holdings, LLC.
15 I'm here on behalf of LBR Holdings in support of GeoMet's application for force
16 pooling and that the Board designate GeoMet as the operator of that unit.

17 BENNY WAMPLER: We'll need to get you sworn in.

18 (Jeff Taylor is duly sworn.)

19 TOM MULLINS: Mr. Chairman, there is some cleanup on this. We're
20 going to have to resubmit exhibits. Tracts 1 and 3 are as filed have listed the
21 Rogers Cousins. They are not involved in Tracts 1 and 3. So, we will be submitting
22 new Exhibits Bs, B-3s and Es, just to help the Director. So, basically, it just leaves
23 Tract 2 that cousins are involved in.

24

--

1

2

JEFF TAYLOR

3 having been duly sworn, was examined and testified as follows:

4

DIRECT EXAMINATION

5 QUESTIONS BY MR. MULLINS:

6

Q. All right, sir, would you please state your name?

7

A. Jeff Taylor.

8

Q. By whom are you employed?

9

A. GeoMet Operating Company.

10

Q. And what is your job with that company?

11

A. Project manager of Virginia and West Virginia operations.

12

Q. And are you familiar with the unit D-35?

13

A. I am.

14

Q. Is this an Oakwood 80 acre unit?

15

A. It is.

16

Q. Does GeoMet have drilling rights in this unit?

17

A. We do.

18

Q. And as I earlier represented to the Board, you're asking that

19 the respondents listed on Exhibit B-3 on Tracts 1 and 3 be dismissed, that being the

20 Rogers Cousins?

21

A. We are.

22

Q. Okay. And what is the percentage of coal ownership that

23 GeoMet has under lease in this unit?

24

--

1 A. 100%.

2 Q. What is the percentage of gas ownership that GeoMet has
3 under lease?

4 A. 96.637498%.

5 Q. What...was notice sent to the parties entitled to notice
6 pursuant to Virginia Code Section 45.1-361.19?

7 A. Yes.

8 Q. And we have just filed the return cards with the Director here
9 today. Is GeoMet authorized to do business in the Commonwealth?

10 A. Yes.

11 Q. Has GeoMet filed a blanket bond as required by statute?

12 A. Yes.

13 Q. Okay. Could you advise the Board what terms GeoMet
14 offers those folks who voluntarily enter a lease agreement with them?

15 A. \$20 per acre for a five year paid up lease and a one-eighth
16 royalty.

17 Q. In your experience in the gas industry, is this a fair and
18 reasonable lease terms?

19 A. Yes.

20 Q. What is the percentage of the gas estate that GeoMet is
21 seeking to pool?

22 A. 3.326502%.

23 Q. Okay. And what percent of the coal estate?

24

1 A. O.

2 Q. Are there any unknown owners?

3 A. Not to our knowledge.

4 Q. Okay. And insofar as Tract 2, are there any parties whose

5 interest is dispute?

6 A. Yes.

7 Q. And those are what we have referred to in the past as the

8 Rogers cousins?

9 A. Yes.

10 Q. Okay. And LBR Holdings, Inc. or LLC, I believe, excuse me,

11 has a 75% interest in the gas estate on Tract 2---?

12 A. Yes.

13 Q. --with the Cousins collectively having a 25%?

14 A. Yes.

15 Q. Okay. Is GeoMet requesting that the Board pool the

16 unleased interest in the unit being the Rogers Cousins?

17 A. Yes.

18 Q. And to whom should notification or communications be made

19 with GeoMet?

20 A. Joseph L. Stevens, Land Manager, GeoMet Operating

21 Company, Inc., 5336 Stadium Trace Parkway, Suite 206, Birmingham, Alabama

22 35244.

23 Q. All right. And as part of your job duties, did you assist in the

24

1 preparation of the estimated well costs for this application?

2 A. Yes.

3 Q. And could you advise the Board what the total depth of the

4 well proposed for this unit is going to be?

5 A. 1913 feet.

6 Q. Okay. The plat identifies the wellbore as being placed

7 outside the window. Could you explain to the Board why that was necessary?

8 A. Yes. There was existing old mine works in the jawbone and

9 Red Ash seams. In order to not penetrate both of those old mine works, we wound

10 having to move outside of the boundary in order to do this. There is also some

11 terrain issues along the edge of the boundary as well to the best of my knowledge.

12 Therefore, we'll just be penetrating I think it is the Jawbone mine void.

13 Q. And these old mine works frequently have accumulated

14 waters in them?

15 A. Yes.

16 Q. And if you were to drill through both of those old mine works

17 then the waters in the Red Ash seam would flow down into the Jawbone seam as

18 well?

19 A. It could, yes.

20 Q. Okay. What are the estimated reserves for this particular

21 unit?

22 A. 800 million cubic feet.

23 Q. And the...what is your estimate on well completion costs?

24

1 A. \$399,550.

2 Q. And that's for a frac completion?

3 A. Yes.

4 Q. Okay. What are the estimated dry hole costs?

5 A. \$179,950.

6 Q. And there has been an Exhibit C, which has been attached

7 to the application, detailing the estimated well costs. Is that a true and accurate

8 copy of those estimated well costs?

9 A. It is.

10 Q. Does the...do the well costs as indicated on Exhibit C include

11 a reasonable charge for supervision and drilling of the well?

12 A. Yes.

13 Q. In your opinion, would the granting of this application promote

14 conservation, protect correlative rights and prevent waste?

15 A. It would.

16 TOM MULLINS: Mr. Chairman, I don't have any other questions.

17 BENNY WAMPLER: Did you prepare the estimate of well costs?

18 JEFF TAYLOR: Yes. I've got a signed copy with me, if that's what

19 you're asking.

20 BENNY WAMPLER: Okay. We'll need you to submit that. On the

21 exhibit...I'm just doing a little cleanup here. On your Exhibit B-3---?

22 TOM MULLINS: Yes, sir.

23 BENNY WAMPLER: ---you're going to submit taking off Tract 1 and

24

1 3, is that correct, where---?

2 TOM MULLINS: That is correct.

3 BENNY WAMPLER: ---it will just be 2, as well as your Exhibit E?

4 TOM MULLINS: Yes, sir.

5 BENNY WAMPLER: All right. And the reason for that, are they

6 leased now or---?

7 TOM MULLINS: They are not leased, but our title work has indicated

8 they don't have an interest in those tracts.

9 BENNY WAMPLER: They don't have the ownership in those?

10 TOM MULLINS: Correct.

11 BENNY WAMPLER: Okay. All right. Questions from members of the

12 Board?

13 (No audible response.)

14 (Sharon Pigeon confers with Benny Wampler.)

15 BENNY WAMPLER: Would you repeat the number you gave for the

16 leased portion of the gas?

17 TOM MULLINS: Sure.

18 JEFF TAYLOR: Leased is 96.37---.

19 TOM MULLINS: 96.637498.

20 SHARON PIGEON: 637498. Thank you.

21 BENNY WAMPLER: Okay, thank you. Other questions from members

22 of the Board?

23 (No audible response.)

24

1 BENNY WAMPLER: Do you have anything further, Mr. Mullins?

2 TOM MULLINS: No, sir.

3 BENNY WAMPLER: Do you have anything further?

4 GEORGE MASON: No questions.

5 BENNY WAMPLER: Is there a motion?

6 BRUCE PRATHER: I give you a motion to approve that.

7 BENNY WAMPLER: Motion to approve.

8 PEGGY BARBAR: Second.

9 BENNY WAMPLER: Second. Any further discussion?

10 (No audible response.)

11 BENNY WAMPLER: All in favor, signify by saying yes.

12 (All members signify by saying yes.)

13 BENNY WAMPLER: Opposed, say no.

14 (No audible response.)

15 BENNY WAMPLER: You have approval. Thank you.

16 TOM MULLINS: Thank you, sir, and thank you members of the Board.

17 JEFF TAYLOR: Thank you.

18 BENNY WAMPLER: Next is a petition from Equitable Production

19 Company, LLC on behalf of Mae Smith Rowlett. This is docket number VGOB-00-

20 0620-0813-01. We'd ask the parties that wish to address the Board in this matter

21 to come forward at this time.

22 JIM KAISER: Mr. Chairman and Board members, Jim Kaiser and Don

23 Hall on behalf of Equitable Production Company.

24

1 (Don Hall is duly sworn.)

2 BENNY WAMPLER: The record will show no others. You may

3 proceed.

4 JIM KAISER: Mr. Chairman, we're here to...on a petition on behalf of

5 Mae Smith Rowlett and Range Resources-Pine Mountain to disburse some escrowed

6 proceeds from Tract 3. Mr. Hall, could you just go through the exhibit and explain

7 what we're attempting to disburse here.

8 DON HALL: We're attempting to disburse the percentage of Tract 3

9 that Ms. Rowlett owns that's currently in escrow.

10 JIM KAISER: And our figures match with the bank's figures?

11 DON HALL: Yes, as sat out in the exhibit that's attached to the

12 application.

13 JIM KAISER: And that's as of?

14 DON HALL: December the 31st of '07.

15 (Jim Kaiser confers with Don Hall.)

16 DON HALL: I guess, as of May the 31st. I'm sorry. The amount in

17 escrow as of 12/31/07 balanced.

18 BENNY WAMPLER: And the amount that you're asking us to

19 disburse?

20 DON HALL: It appears to be \$18,050.33. I'm not sure what the

21 difference in the date is there.

22 JIM KAISER: It may be a typo because it's obvious that \$18,050.33

23 is 34% in change of 52.

24

1 DON HALL: Right. Yeah, I'd say that's a typo.

2 JIM KAISER: So, my guess is the 5/31/07 should be 12/31/07.

3 BENNY WAMPLER: Well, what we would ask you to do is for the
4 record is clear that up and get it, you know, submitted for the record. But from the
5 standpoint of what you're asking us is from whichever date that balance occurred,
6 you're asking what? From that date forward to pay directly?

7 JIM KAISER: We're asking you to disburse that to Mae Smith Rowlett
8 and going forward to...asking that the order provide that the royalty be paid for the
9 proceeds for...the proceeds for that tract be paid directly to her.

10 BOB WILSON: Mr. Chairman.

11 BENNY WAMPLER: Mr. Wilson.

12 BOB WILSON: The percentages that they're showing here are correct
13 and would indicate that that's as of the same date when you calculate it out. I think
14 that must have been a typographical error there. We need, I guess, to understand
15 that we're not disbursing an amount. We are disbursement a percentage of that
16 escrow account.

17 JIM KAISER: Percentage. Right.

18 BOB WILSON: Which would be---?

19 DON HALL: Whatever it is at the time that it's disbursed.

20 BOB WILSON: Yeah. But the percentages aren't going to change.

21 JIM KAISER: No, the percentages are not going to change. What
22 would be the percentage of the owner's amount of percentage of escrow be, Don, in
23 this case?

24

1 DON HALL: 34.55736171%.

2 BENNY WAMPLER: Yeah, and that doesn't change.

3 JIM KAISER: Right.

4 DON HALL: Right.

5 BENNY WAMPLER: Okay. Is there a motion?

6 BRUCE PRATHER: Motion to approve.

7 BENNY WAMPLER: Motion to approve. Is there a second?

8 MARY QUILLEN: Second.

9 BENNY WAMPLER: Thank you, second. Any further discussion?

10 (No audible response.)

11 BENNY WAMPLER: All in favor, signify by saying yes.

12 (All members signify by saying yes.)

13 BENNY WAMPLER: Opposed, say no.

14 (No audible response.)

15 BENNY WAMPLER: You have approval. Twenty-four.

16 JIM KAISER: Twenty-four, yeah.

17 BENNY WAMPLER: A petition from Equitable Production Company for

18 pooling of coalbed methane unit VC-537793. This is docket number VGOB-08-

19 0318-2177. We'd ask the parties that wish to address the Board in this matter to

20 come forward at this time.

21 JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf

22 of Equitable Production. We've got some revised exhibits that Mr. Hall is passing out

23 now.

24

1 (Don Hall passes out revised exhibits.)

2

3

DON HALL

4

DIRECT EXAMINATION

5 QUESTIONS BY MR. KAISER:

6 Q. Mr. Hall, before we get into your standard testimony, could
7 you explain the purpose for having the revised exhibits here?

8 A. As shown on Exhibit Two, we've picked up a lease since we
9 applied for this. (Inaudible) is being dismissed and that's what's reflected in these
10 Exhibits.

11 Q. Okay. And that's Tract 7?

12 A. Yes.

13 Q. Could you state your name for the Board, who you're
14 employed by and in what capacity?

15 A. My name is Don Hall. I'm employed by Equitable Production
16 Company as District Landman.

17 Q. Are you familiar with the application that we filed seeking to
18 pool any unleased interest in the unit for well EPC number VC-537793, which was
19 dated February the 15th, 2008?

20 A. Yes.

21 Q. Does Equitable own drilling rights in the unit involved here?

22 A. We do.

23 Q. Prior to the filing of the application, were efforts made to
24

--

1 contact each of the respondents and an attempt made to work out an agreement
2 regarding the development of the unit involved?

3 A. Yes.

4 Q. And with your additional lease from Tract 7, what is the
5 current percentage of the gas estate that's under lease to Equitable?

6 A. We have 99.69% leased.

7 Q. And the percentage of the coal estate under lease?

8 A. 100%.

9 Q. So, that leaves as unleased .31% of the gas estate?

10 A. That's correct.

11 Q. Okay. In this particular unit, we don't have any unknown or
12 unlocateables, correct?

13 A. That's correct.

14 Q. So, in your opinion...professional opinion due diligence was
15 exercised to locate each of the respondents named in the petition?

16 A. Yes.

17 Q. Are the addresses set out in Revised Exhibit B to the
18 application the last known addresses for the respondents?

19 A. Yes.

20 Q. Are you requesting this Board to force pool all unleased
21 interest as listed at Revised Exhibit B-3?

22 A. We are.

23 Q. Are you familiar with the fair market value of drilling rights in
24

1 the unit here and in the surrounding area?

2 A. Yes.

3 Q. Could you advise the Board as to what those are?

4 A. We pay a five dollar a year on a five year term...five dollars

5 an acre.

6 Q. What about your royalty?

7 A. A one-eighth royalty.

8 Q. And in your opinion, do the terms that you've just testified to

9 represent the fair market value of and the fair and reasonable compensation to be

10 paid for drilling rights within this unit?

11 A. They do.

12 Q. Now, as to those respondents who remain unleased and that

13 are listed at Revised Exhibit B-3, do you agree that they should be allowed the

14 following statutory options with respect to their ownership interest within the unit: 1)

15 Direct participation; 2) a cash bonus of five dollars per net

16 mineral acre plus a one-eighth of eight-eighths royalty; or

17 3) in lieu of a cash bonus and one-eighth of eight-eighths

18 royalty share in the operation of the well on a carried basis

19 as a carried operator under the following conditions: Such

20 carried operator shall be entitled to the share of production

21 from the tracts pooled accruing to his or her interest

22 exclusive of any royalty or overriding royalty reserved in

23 any leases, assignments thereof or agreements relating

24

1 thereto of such tracts, but only after the proceeds
2 applicable to his or her share equal, A) 300% of the share of
3 such costs applicable to the interest of the carried operator
4 of a leased tract or portion thereof; or B) 200% of the share
5 of such costs applicable to the interest of a carried
6 operator of an unleased tract or portion thereof?

7 A. Yes.

8 Q. Do you recommend that the order provide that
9 elections by the respondent be in writing and sent to the
10 applicant at Equitable Production Company, Land
11 Administration, P. O. Box 23536, Pittsburgh, Pennsylvania,
12 zip 15222, Attention: Nicole Atkinson, Regulatory?

13 A. Yes.

14 Q. And should this be the address for all
15 communications with the applicant concerning any force
16 pooling order?

17 A. It should.

18 Q. Do you recommend that the order provide that
19 if no written elections is properly made by a respondent,
20 then such respondent should be deemed to have elected the
21 cash royalty option in lieu of any participation?

22 A. Yes.

23 Q. Should the unleased respondents be given 30
24

1 days from the date that they receive the recorded Board order
2 to file their written elections?

3 A. They should.

4 Q. If an unleased respondent elects to
5 participate, should they be given 45 days to pay their
6 proportionate share of actual well costs?

7 A. Yes.

8 Q. Does the applicant expect the party electing
9 to participate to pay in advance that party's share of
10 completed well costs?

11 A. Yes.

12 Q. Should the applicant be allowed a 120 days
13 following the recordation date of the Board order and
14 thereafter annually on that date until production is achieved
15 to pay or tender any delay rental or cash bonus becoming due
16 under the force pooling order?

17 A. Yes.

18 Q. Do you recommend that the order provide that
19 if a respondent elects to participate but fails to pay their
20 proportionate share of actual well costs, then the election
21 to participate should be treated as having been withdrawn and
22 void and such respondent should be treated just as if no
23 initial election had been filed, in other words, deemed to
24

1 have leased?

2 A. Yes.

3 Q. Do you recommend that the order provide that
4 where a respondent elects to participate but defaults in
5 regard to payment of well costs, any cash sum becoming
6 payable to that respondent be paid by the applicant or
7 operator within 60 days after the last date on which the
8 respondent could have paid for their well costs?

9 A. Yes.

10 Q. Okay. In this particular well, do we got an
11 Exhibit E. We do have...the Board does need to establish an
12 escrow account?

13 A. That's correct.

14 Q. And that will be for proceeds attributable
15 to Tracts 3, 4, 5, 6, 7 and 8?

16 A. That's correct.

17 Q. And who should be named operator under the
18 force pooling order?

19 A. Equitable Production Company.

20 Q. And the total depth of this well under the
21 plan of development?

22 A. It's 2,018 feet.

23 Q. And the estimated reserves for the unit?

24

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1 A. 330 million cubic feet.

2 Q. And are you familiar with the well costs?

3 A. Yes.

4 Q. Has an AFE been reviewed, signed and

5 submitted to the Board as Exhibit C?

6 A. Yes.

7 Q. In your opinion, does it represent a

8 reasonable estimate of the well costs?

9 A. Yes.

10 Q. Could you state for the Board both the

11 estimated dry hole costs and completed well costs for this

12 well?

13 A. The dry hole costs is \$155,852 and the

14 completed well costs is \$381,407.

15 Q. Do these costs anticipate a multiple

16 completion?

17 A. They do.

18 Q. Does your AFE include a reasonable charge

19 for supervision?

20 A. Yes.

21 Q. In your professional opinion, would the

22 granting of this application be in the best interest of

23 conservation, the prevention of waste and the protection of

24

1 correlative rights?

2 A. Yes.

3 MR. KAISER: Nothing further at this time of this

4 witness, Mr. Chairman.

5 BENNY WAMPLER: Questions from members of the

6 Board?

7 MARY QUILLEN: Mr. Chairman. Did you give us the depth?

8 DON HALL: Yes.

9 MARY QUILLEN: What was that?

10 DON HALL: 2,018 feet.

11 MARY QUILLEN: Okay.

12 BENNY WAMPLER: I was trying to figure...you know, you're wanting

13 to pool 3, 4, 5, 6, 7 and 8 in escrow. I was trying to go back and understand why.

14 JIM KAISER: Because there's a conflicting claim.

15 DON HALL: 1 and 2 is...1 and 2 is Range, 3, 4, 5, 6, 7 and 8 is

16 Range and conflicting parties.

17 JIM KAISER: The gas on 3 through 8 is owned by somebody other

18 than Range.

19 BENNY WAMPLER: Okay. All right. And you've leased most of

20 them?

21 DON HALL: Right. But it's still a conflicting claim.

22 BENNY WAMPLER: I understand.

23 DON HALL: Yeah.

24

1 BENNY WAMPLER: Questions from members of the Board?
2 (No audible response.)
3 BENNY WAMPLER: Do you have anything further?
4 JIM KAISER: We'd ask that the application be approved as submitted
5 with the set of revised exhibits.
6 BENNY WAMPLER: Is there a motion?
7 BRUCE PRATHER: Motion to approve.
8 MARY QUILLEN: Second.
9 BENNY WAMPLER: Any further discussion?
10 (No audible response.)
11 BENNY WAMPLER: All in favor, signify by saying yes.
12 (All members signify by saying yes.)
13 BENNY WAMPLER: Opposed, say no.
14 (No audible response.)
15 BENNY WAMPLER: You have approval. Go to twenty-six, a petition
16 from Equitable Production Company for pooling of coalbed methane unit VC-537868,
17 docket number VGOB-08-0318-2179. We'd ask the parties that wish to address the
18 Board in this matter to come forward at this time.
19 JIM KAISER: Mr. Chairman, Jim Kaiser and Don Hall on behalf of
20 Equitable Production Company. We've, again, got revised exhibits.
21 (Don Hall passes out revised exhibits.)
22 BENNY WAMPLER: The record will show no others. You may
23 proceed.
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DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, if you could, again, state your name for the record, who you're employed by and in what capacity?

A. My name is Don Hall. I'm employed by Equitable Production Company as district landman.

Q. And you're familiar with the application that Equitable filed seeking to pool any unleased interest in the unit for EPC well number VC-537868, which was dated February the 15th, 2008?

A. Yes.

Q. Does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of the application were efforts made to contact each of the respondents within the unit and an attempt made to work out a voluntary agreement regarding the development of the unit?

A. Yes.

Q. Now, you did hand out a revised set of exhibits, so I think those reflect one additional lease that you picked up, a Roscoe Edwards?

A. That's correct.

Q. In Tract 7?

A. Yes.

Q. So, at this current time with the Revised set of Exhibits,

1 what's the percentage under lease to Equitable within the gas estate in the unit?

2 A. 70...excuse me, 74.09%.

3 Q. And the percentage under lease in the coal estate?

4 A. 93.6%.

5 Q. And all unleased parties are set out in Revised Exhibit B-3?

6 A. Yes.

7 Q. So, at this point in time, what is the percentage in the gas

8 estate that remains unleased?

9 A. 25.91%.

10 Q. And the interest in the coal estate that remains unleased?

11 A. 6.4%.

12 Q. Now, in this particular unit, we do have a lot of unknowns?

13 A. We have.

14 Q. And were reasonable and diligent efforts made and sources

15 checked to identify and locate these unknown---?

16 A. Yes.

17 Q. ---respondents including primary sources such deed records,

18 probate records, assessor's records, treasurer's records and secondary sources such

19 as telephone directories, city directories, family and friends?

20 A. Yes.

21 Q. In your professional opinion, was due diligence exercised to

22 locate each of the respondents named in Revised Exhibit B?

23 A. It was.

24

1 Q. And are the addresses set out in Revised Exhibit B to the
2 application, the last know addresses for the respondents to the best of your
3 knowledge?

4 A. Yes.

5 Q. Are you requesting this Board to force pool all the unleased
6 interest as listed at Revised Exhibit B-3?

7 A. Yes.

8 Q. Again, are you familiar with the fair market value of drilling
9 rights in this unit?

10 A. Yes.

11 Q. Could you advise the Board as to what those are?

12 A. We pay a five dollar per acre on a five year term with a one-
13 eighth royalty.

14 Q. In your opinion, do the terms that you've just testified to
15 represent the fair market value of and fair and reasonable compensation to be paid
16 for drilling rights within this unit?

17 A. Yes.

18 JIM KAISER: Mr. Chairman, I'd ask that at this time that the testimony
19 taken in docket item 2177 just previous to this docket item regarding the statutory
20 election options afforded any unleased parties, their time frames in which to make
21 those elections and the ramifications thereof be incorporated for purposes of this
22 hearing.

23 BENNY WAMPLER: They will be incorporated.

24

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1 Q. Mr. Hall, who should be named...wait a minute, we've got the
2 escrow. The Board does need to establish an escrow account for this unit, correct?

3 A. That's correct. And we...in addition to that, we have a EE
4 exhibit in which Roscoe Edwards, who we just leased, and is being dismissed in
5 Exhibit B-2. He and Range Resources have reached a split agreement and that's
6 reflected in Exhibit EE.

7 Q. Okay. Then, Exhibit E shows what tracts need to be
8 escrowed other than Tract 7, I guess?

9 A. Other than that portion of Tract 7 that
10 Mr.---.

11 Q. Because there is more owners of Tract 7 than---?

12 A. Right.

13 Q. ---just Mr. Edwards?

14 A. Right. Yes.

15 Q. Okay. So, the Board actually then will need to establish an
16 escrow account for proceeds or partial proceeds from Tracts 1, 3, 5, 6 and 7, is that
17 correct?

18 A. That's correct.

19 Q. Okay. And who should be named operator under any force
20 pooling order?

21 A. Equitable Production Company.

22 Q. And what's the total depth of this proposed well?

23 A. It's 2,030 feet.

24

1 Q. Estimated reserves for the unit?

2 A. 330 million cubic feet.

3 Q. Are you familiar with the well costs for this well?

4 A. Yes.

5 Q. Has an AFE been reviewed, signed and submitted to the

6 Board as Exhibit C?

7 A. It has.

8 Q. In your opinion, does it represent a reasonable estimate of

9 the actual well costs?

10 A. Yes.

11 Q. The dry hole costs and completed well costs for this well?

12 A. The dry hole costs is \$129,885 and the completed well costs

13 is \$349,795.

14 Q. Do these costs anticipate a multiple completion?

15 A. They do.

16 Q. Does your AFE include a reasonable charge for supervision?

17 A. Yes.

18 Q. In your professional opinion, would the granting of this

19 application be in the best interest of conservation, the prevention of waste and the

20 protection of correlative rights?

21 A. Yes.

22 JIM KAISER: Nothing further of this witness at this time, Mr.

23 Chairman.

24

25

1 BENNY WAMPLER: Questions from members of the Board?
2 (No audible response.)
3 BENNY WAMPLER: Do you have anything further?
4 JIM KAISER: We'd ask that the application be approved as submitted
5 with the revised exhibits.
6 BENNY WAMPLER: Is there a motion?
7 BRUCE PRATHER: Motion that we approve.
8 BENNY WAMPLER: Motion to approve. Is there a second?
9 MARY QUILLEN: Second.
10 BENNY WAMPLER: Any further discussion?
11 (No audible response.)
12 BENNY WAMPLER: All in favor, signify by saying yes.
13 (All members signify by saying yes.)
14 BENNY WAMPLER: Opposed, say no.
15 (No audible response.)
16 BENNY WAMPLER: You have approval. Next is a petition from
17 Equitable Production Company for pooling of coalbed methane unit VC-537160,
18 which is docket number VGOB-08-0318-2180. We'd ask the parties that wish to
19 address the Board in this matter to come forward at this time.
20 JIM KAISER: Mr. Chairman, again, Jim Kaiser and Don Hall on behalf
21 of Equitable Production Company.
22 BENNY WAMPLER: The record will show no others. You may
23 proceed.
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DON HALL

DIRECT EXAMINATION

QUESTIONS BY MR. KAISER:

Q. Mr. Hall, are you familiar with the application Equitable filed seeking to pool any unleased interest in the unit for EPC well number VC-537160?

A. Yes.

Q. And does Equitable own drilling rights in the unit involved here?

A. We do.

Q. And prior to the filing of the application was an effort made to contact each of the respondents within the unit and an attempt made to work out a voluntary agreement regarding the development of the unit with each?

A. Yes.

Q. And at this time, what is the interest under lease to Equitable in the gas estate within the unit?

A. We have 63.518889% leased.

Q. And the interest under lease within the coal estate?

A. 100%.

Q. And all unleased parties set out at Exhibit B-3 to the application?

A. Yes.

Q. So what remains unleased is 36.481111% of the gas estate?

1 A. Yes.

2 Q. We do have one unknown, I think, in this unit, again, were

3 the gas owners on Tract 13. Again, were reasonable and diligent efforts made to

4 attempt to locate those unknowns?

5 A. Yes.

6 Q. In your professional opinion, was due diligence exercised to

7 locate each of the respondents named in the petition?

8 A. Yes.

9 Q. Are you requesting this Board to force pool all unleased

10 interest at B-3?

11 A. Yes.

12 Q. Again, are you familiar with the fair market value of drilling

13 rights in the unit here and in the surrounding area?

14 A. Yes.

15 Q. Again, advise the Board as to what those are?

16 A. We pay a one-eighth direct...one...five dollars per acre and a

17 one-eighth royalty on a five year term.

18 Q. In your opinion, do the terms that you've just testified to

19 represent the fair and reasonable compensation to be paid for drilling rights within

20 this unit?

21 A. They do.

22 JIM KAISER: Again, Mr. Chairman, I'd ask that the statutory election

23 option testimony taken earlier in item 2177 be incorporated for purposes of this

24

1 hearing.

2 BENNY WAMPLER: It will be incorporated.

3 Q. Mr. Hall, who should be named...wait a minute, we've got to

4 go back. We've got some escrow, don't we?

5 A. Yes.

6 Q. Okay. We've got all kinds of conflicting claims, don't we?

7 So, in this particular unit, the Board does need to establish an escrow account and it

8 will cover proceeds from Tracts 3, 4, 5, 6, 7, 8, 9, 10, 11, 12 and 13, is that---?

9 A. That's correct.

10 Q. ---correct?

11 A. That's correct.

12 Q. Okay. And who should be named operator under any force

13 pooling order?

14 A. Equitable Production Company.

15 Q. And what's the proposed depth of this well?

16 A. It's 2225 feet.

17 Q. Estimated reserves?

18 A. 230 million cubic feet.

19 Q. Has an AFE been reviewed, signed and submitted to the

20 Board as Exhibit C to the application?

21 A. Yes.

22 Q. In your opinion, does it represent a reasonable estimate of

23 well costs?

24

1 A. Yes.

2 Q. Would you state both the dry hole costs and completed well
3 costs for this well?

4 A. The dry hole costs is \$156,558 and the completed well costs
5 is \$401,131.

6 Q. Do these costs anticipate a multiple completion?

7 A. They do.

8 Q. Does you AFE include a reasonable charge for supervision?

9 A. Yes.

10 Q. In your professional opinion, would the granting of this
11 application be in the best interests of conservation, the prevention of waste and the
12 protection of correlative rights?

13 A. Yes.

14 JIM KAISER: Nothing further of this witness at this time, Mr.
15 Chairman.

16 BENNY WAMPLER: Questions from members of the Board?
17 (No audible response.)

18 BENNY WAMPLER: Do you have anything further?

19 JIM KAISER: Mr. Chairman, we'd ask that the application be approved
20 as submitted.

21 BENNY WAMPLER: Is there a motion?

22 MARY QUILLEN: Motion to approve.

23 PEGGY BARBAR: Second.

24

1 BENNY WAMPLER: And second. Any further discussion?

2 (No audible response.)

3 BENNY WAMPLER: All in favor, signify by saying yes.

4 (All members signify by saying yes.)

5 BENNY WAMPLER: Opposed, say no.

6 BRUCE PRATHER: Abstain.

7 BENNY WAMPLER: One abstention. You have approval. Mr. Prather
8 abstained. Next is a petition from Equitable Production Company for pooling coalbed
9 methane unit VC-536594. This is docket number VGOB-08-0318-2181. We'd ask
10 the parties that wish to address the Board in this matter to come forward at this time.

11 JIM KAISER: Now, Mr. Chairman and Board members, again, Jim
12 Kaiser and Don Hall on behalf of Equitable Production Company.

13 BENNY WAMPLER: The record will show no others. You may
14 proceed.

15

16 DON HALL

17 DIRECT EXAMINATION

18 QUESTIONS BY MR. KAISER:

19 Q. Mr. Hall, are you familiar with the application that we filed
20 seeking to pool any unleased interest in the unit for EPC well number VC-536594
21 dated February the 15th, 2008?

22 A. Yes.

23 Q. Does Equitable own drilling rights in the unit involved here?

24

1 A. We do.

2 Q. And prior to the filing of the application were efforts made to
3 contact each of the respondents owning an interest and an attempt made to work out
4 some sort of voluntary agreement regarding the development of the unit?

5 A. Yes.

6 Q. Now, what is the interest under lease to Equitable in the gas
7 estate in this unit?

8 A. We have some overlap situations within this unit in Tracts 7
9 and 19 and depending on the ownership of those overlaps, which we're still studying
10 from a title standpoint, we either have 63.445% leased or 83.19% leased depending
11 on some instances we have the parties leased and in the other instance we don't in
12 the overlap. So, that's---.

13 Q. That explains the discrepancy?

14 A. Right.

15 Q. Because I saw some puzzled faces when you gave that
16 testimony. So, I guess you could refer them to the plat kind of and---.

17 A. Well---.

18 BENNY WAMPLER: The deeds overlap each other?

19 DON HALL: Yeah. Tract 7 if you look at the supplemental sheet
20 attached to the plat. You see Tract 7 is either Standard Banner or David Rasnake
21 and Faye Rasnake Heirs...the Faye Rasnake Heirs depending on eventually how that
22 is determined which one owns that. Also in Tract 19, it's the same situation. It's
23 either Standard Banner or David Rasnake's property. We're still trying to determine
24

1 which one is which. As of right now, it's an overlapped conflicting claim...not a
2 conflicting claim as far as we traditionally call the conflicting claim, but it's that both
3 parties have deeds that overlap the same property. So, we're trying to determine
4 which one is the better deed.

5 Q. Well, but there is a reasonable chance that it remain also like
6 this, right?

7 A. Yeah. It's reasonable that we won't---.

8 Q. Be able to make that determination?

9 A. ---make that determination. That will be between the two
10 parties who have a conflicting claim.

11 Q. Right. Okay, then, in the coal estate a 100% of the coal
12 estate is under lease at this time?

13 A. That's correct.

14 Q. All right. And all unleased parties are set out in Exhibit B-3
15 to the application?

16 A. Yes.

17 Q. So, at this point, the only thing in the unit that remains
18 unleased is part of the gas estate and that would be eight 36.555% or 16.81%?

19 A. That's correct.

20 Q. We do, again, have some unknown interest owners in this
21 unit, correct?

22 A. Yes.

23 Q. And, again, were reasonable and diligent efforts made and
24

1 sources checked to identify and locate these unknowns?

2 A. Yes.

3 Q. So, in your professional opinion, due diligence was exercised
4 to locate each of the respondents named in Exhibit B?

5 A. Yes.

6 Q. Are the addresses set out in Exhibit B to the application, to
7 the best of your knowledge, the last known addresses for the respondents?

8 A. They are.

9 Q. Are you requesting this Board to force pool all unleased
10 interest as listed at B-3?

11 A. Yes.

12 Q. Again, are you familiar with the fair market value of drilling
13 rights in the unit here and in the surrounding area?

14 A. I am.

15 Q. Could you advise the Board as to what those are again?

16 A. We pay five dollars per acre on a five year term with a one-
17 eighth royalty.

18 Q. In your opinion, do the terms that you've just testified to
19 represent the fair market value of and fair and reasonable compensation to be paid
20 for drilling rights within this unit?

21 A. They do.

22 JIM KAISER: Again, Mr. Chairman, I'd ask that the statutory election
23 option testimony taken earlier in 2177 be incorporated for purposes of this hearing.

24

--

1 BENNY WAMPLER: That will be incorporated.

2 Q. All right. The Board, again, does need to establish an

3 escrow account for this unit, correct?

4 A. Yes, that's correct.

5 Q. And it will cover proceeds from Tracts 1, 2, 5, 6, 7, 11, 14,

6 15 and 19, is that correct?

7 A. That's correct.

8 Q. Okay. And who should be named operator under any force

9 pooling order?

10 A. Equitable Production Company.

11 Q. And the proposed depth for this well?

12 A. It's 2644 feet.

13 Q. Estimated reserves for the unit?

14 A. 330 million cubic feet.

15 Q. And has an AFE been signed, reviewed and submitted to the

16 Board as Exhibit C?

17 A. It has.

18 Q. And in your opinion, does it represent a reasonable estimate

19 of well costs?

20 A. Yes.

21 Q. Could you state for the Board the estimated dry hole costs

22 and completed well costs for this well?

23 A. The dry hole costs is \$187,974 and the completed well costs

24

1 is \$403,787.

2 Q. Do these costs anticipate a multiple completion?

3 A. Yes.

4 Q. Does your AFE include a reasonable charge for supervision?

5 A. Yes.

6 Q. In your professional opinion, would the granting of this
7 application be in the best interests of conservation, the prevention of waste and the
8 protection of correlative rights?

9 A. Yes.

10 JIM KAISER: Nothing further of this witness at this time, Mr.

11 Chairman.

12 BENNY WAMPLER: Questions from members of the Board? Mr.

13 Prather.

14 BRUCE PRATHER: Don, do...oh, shoot, what was I going to say? It
15 kind of left me there for a minute. On this thing, would there be any possibility that
16 in these overlapping units that you would not put a location on that part of it until you
17 got that resolved, is that correct?

18 DON HALL: That's correct.

19 BRUCE PRATHER: Okay.

20 BOB WILSON: Mr. Chairman.

21 BENNY WAMPLER: Mr. Wilson.

22 BOB WILSON: I've got a bit of a problem on Exhibit E. On the gas
23 estate you're showing escrowing of Tract 19. You don't have a corresponding coal

24

--

1 owner that you are showing as being escrowed on that. Also, I would ask how
2 you're planning to handle Tracts 7 and...what's that other ones that had the
3 either/or? Tracts 7 and 19, you don't show them as being escrowed, but you're
4 saying that there's an unknown ownership situation there.

5 BENNY WAMPLER: For the coal estate?

6 DON HALL: Well, we're showing...in the gas estate we're showing 7
7 and 19. Yeah, you're right. They need to be on Exhibit E in the coal estate exhibit.
8 That's correct.

9 BENNY WAMPLER: Are you going to give us an amended Exhibit E?

10 DON HALL: Amended Exhibit E for the coal estate.

11 BENNY WAMPLER: E for the coal estate. Go back over the
12 percentages again on the...for the gas estate, the or.

13 DON HALL: We've got leased, we either have 63.445% or we have
14 83.19% depending on the---.

15 BENNY WAMPLER: All right. And unleased?

16 DON HALL: Yeah, that's leased.

17 SHARON PIGEON: And the unleased ones.

18 DON HALL: The unleased we either...do not have leased 36.555% or
19 16.81%.

20 SHARON PIGEON: Thank you.

21 BOB WILSON: Mr. Chairman.

22 BENNY WAMPLER: Mr. Wilson.

23 BOB WILSON: Again, just to clarify, the order will reflect the largest
24
25

1 amount of unleased acreage.

2 DON HALL: Yeah.

3 BOB WILSON: And I don't think we've ever addressed to how we're

4 going to handle this. Assuming that you go out and are able to figure this out, is

5 this going to be addressed in a supplemental order? How is that going to be

6 addressed in the future when you're planning to---?

7 DON HALL: Well, if it can be, it can be addressed in a supplemental

8 order if find...if make that determination. But I guess if we don't---.

9 BENNY WAMPLER: If you had all parties.

10 DON HALL: Pardon?

11 BENNY WAMPLER: If you had all parties.

12 DON HALL: Right. Yeah.

13 BENNY WAMPLER: If you didn't have all parties and had some, then

14 you would have to come back in.

15 DON HALL: Yeah.

16 JIM KAISER: Yeah, I think there's probably a better chance we'd be

17 coming back in.

18 BENNY WAMPLER: Yeah.

19 DON HALL: Yeah.

20 BENNY WAMPLER: I mean, that's my opinion on it.

21 JIM KAISER: Yeah.

22 DON HALL: I mean, I...it's not...I don't think it's a question of if we've

23 got all the parties. It just a question as to which party owns it.

24

1 BOB WILSON: Yeah.

2 BENNY WAMPLER: Other questions or comments?

3 (No audible response.)

4 BENNY WAMPLER: Do you have anything further?

5 JIM KAISER: We'd ask that the application be approved as submitted

6 with the provisional of the revised corrected Exhibit E.

7 BENNY WAMPLER: Is there a motion?

8 BRUCE PRATHER: Motion to approve.

9 MARY QUILLEN: Second.

10 BENNY WAMPLER: Second. Any further discussion?

11 (No audible response.)

12 BENNY WAMPLER: All in favor, signify by saying yes.

13 (All members signify by saying yes.)

14 BENNY WAMPLER: Opposed, say no.

15 (No audible response.)

16 BENNY WAMPLER: You have approval. Next is a petition from

17 Chesapeake Appalachia, LLC for pooling provisional horizontal conventional unit

18 826640, docket number VGOB-08-0318-2182. We'd ask the parties that wish to

19 address the Board in this matter to come forward at this time.

20 JIM KAISER: Mr. Chairman, for Chesapeake Appalachia it will be Jim

21 Kaiser, Dennis Baker and Stan Shaw.

22 DAVID EPLING: Mr. Chairman, my name is David Epling. I'm an

23 attorney from Grundy, Virginia. It's good to see you and the Board again. I

24

1 represent myself and I represent my sister, Carol Epling McGlothlin.

2 BENNY WAMPLER: You may proceed.

3 JIM KAISER: Okay. Mr. Baker and Mr. Shaw need to be sworn.

4 (Dennis Baker and Stan Shaw are duly sworn.)

5 JIM KAISER: We'll start with Mr. Baker.

6

7 DENNIS BAKER

8 having been duly sworn, was examined and testified as follows:

9 DIRECT EXAMINATION

10 QUESTIONS BY MR. KAISER:

11 Q. If you could state your name, who you're employed by and in
12 what capacity?

13 A. My name is Dennis Baker. I'm employed by Chesapeake
14 Appalachia, LLC as Senior Landman.

15 Q. Do your responsibilities include the land involved here? Now,
16 this is a 320-acre unit that we formed for purposes of drilling a conventional
17 horizontal well and we have some interests that are either unknown, unleased or in
18 dispute that we're here to force pool today, correct?

19 A. That's correct.

20 Q. And so your responsibilities include the land in this area,
21 right?

22 A. Yes.

23 Q. And you're familiar with the application that we filed seeking
24

--

1 to pool those respondents that I just listed on February the 15th, 2008?

2 A. Yes.

3 Q. Now, does Chesapeake own drilling rights in the unit involved
4 here?

5 A. Yes, we do.

6 Q. And prior to the filing of the application were efforts made to
7 contact each of the respondents and an attempt made to work out some sort of
8 voluntary agreement regarding the development of the unit involved?

9 A. Yes.

10 Q. So, at this point in time, and you'll need to explain this after
11 you lists these figures, what percentage of the gas estate is under lease to
12 Chesapeake within this unit?

13 A. At the current time, we have 97.762552% or we have
14 89.753333%.

15 Q. And the...can you explain why it's an either/or situation?

16 A. We have some parties listed on Tract 1 for the exhibit...the
17 well plat that there's some pending litigation. Pending resolve of that issue will
18 determine whether or not we have the 97 or the 89% under lease.

19 Q. And, again, should the Board issue an order here then taking
20 the prudent operator conservative stance and to protect Mr. Epling and his client's
21 interest, we would show that the...the actual percentage leased being 89.753333%,
22 correct?

23 A. That's correct.

24

1 Q. So, at this time, unleased is either 2.237448 or
2 10.246667...and if I may just divert here for just a minute.

3 JIM KAISER: David, we went ahead and included the other third to
4 so...it sounded like you were just here for you and your sister, but---.

5 DAVID EPLING: I am here just here for my sister. Ms. Mounts I
6 really couldn't get a hold of her in church yesterday or day before yesterday.

7 JIM KAISER: We went ahead and---.

8 DAVID EPLING: I don't know if---.

9 JIM KAISER: Her interest is in that too.

10 DAVID EPLING: Oh, okay. I don't know if she got notice to the
11 proceedings.

12 JIM KAISER: Okay. Yeah, she would have.

13 BENNY WAMPLER: Let me...so, the attorney is not testifying. Do you
14 agree to those numbers?

15 DENNIS BAKER: Yes, I do.

16 BENNY WAMPLER: Thank you.

17 Q. So, the unleased parties are set out in B-3?

18 A. Yes.

19 Q. We do have an unknown in this unit, part of Tract 7, the K.
20 S. Collie estate?

21 A. That's correct.

22 Q. And you made all reasonable and diligent efforts to locate
23 those folks?

24

1 A. Yes.

2 Q. Okay. So, in your professional opinion, due diligence was
3 exercised to locate each of the respondents?

4 A. Yes.

5 Q. And the address is set out in Exhibit B to the application, to
6 the best of your knowledge, are the last known addresses for the respondents?

7 A. Yes.

8 Q. Are you requesting this Board to force pool all unleased
9 interest listed at Exhibit B-3?

10 A. Yes.

11 Q. Are you familiar with the fair market value of drilling rights in
12 this unit and in the surrounding area?

13 A. Yes, I am.

14 Q. Could you advise the Board as to what those are?

15 A. Five dollars per acre consideration, a five year term and a
16 one-eighth royalty.

17 Q. In your opinion, do the terms that you just testified to
18 represent the fair market value of and the fair and reasonable compensation to be
19 paid for drilling rights within this unit?

20 A. Yes.

21 Q. Now, as to the respondents listed on B-3 who remain
22 unleased, do you agree that they be allowed the following statutory options with
23 respect to their ownership interest within the unit: 1) Participation; 2) a
24

1 cash bonus of five dollars per net mineral acre plus a one-
2 eighth of eight-eighths royalty; or 3) in lieu of a cash
3 bonus and one-eighth of eight-eighths royalty share in the
4 operation of the well on a carried basis as a carried
5 operator under the following conditions: Such carried
6 operator shall be entitled to the share of production from
7 the tracts pooled accruing to his or her interest exclusive
8 of any royalty or overriding royalty reserved in any leases,
9 assignments thereof or agreements relating thereto of such
10 tracts, but only after the proceeds applicable to his or her
11 share equal, A) 300% of the share of such costs applicable to
12 the interest of the carried operator of a leased tract or
13 portion thereof; or B) 200% of the share of such costs
14 applicable to the interest of a carried operator of an
15 unleased tract or portion thereof?

16 A. Yes.

17 Q. Do you recommend that the order provide that
18 elections by the respondents be in writing and sent to the
19 applicant at Chesapeake Appalachia, LLC, 900 Pennsylvania
20 Avenue, Charleston, West Virginia 25362, Attention: Mike
21 Rosner?

22 A. Yes.

23 Q. And should this be the address for all
24

1 communications with the applicant concerning any force
2 pooling order?

3 A. Yes, it is.

4 Q. Do you recommend that the order provide that
5 if no written elections is properly made by a respondent,
6 then such respondent should be deemed to have elected the
7 cash option in lieu of any participation?

8 A. Yes.

9 Q. Should the unleased respondents be given 30
10 days from the date that the order is...the recorded order is
11 received by them to file their written elections?

12 A. Yes.

13 Q. If an unleased respondent elects to
14 participate, should they be given 45 days to pay their
15 proportionate share of actual well costs?

16 A. Yes.

17 Q. Should the applicant be allowed a 120 days
18 following the recordation date of the Board order and
19 thereafter annually on that date until production is achieved
20 to pay or tender any delay rental or cash bonus becoming due
21 under the force pooling order?

22 A. Yes.

23 Q. Do you recommend that the order provide that

24

1 if a respondent elects to participate but fails to pay their
2 proportionate share of actual well costs satisfactory to the
3 applicant for payment of those costs, then their election to
4 participate should be treated as having been withdrawn and
5 void?

6 A. Yes.

7 Q. Do you recommend that the order provide that
8 where a respondent elects to participate but defaults in
9 regard to payment of well costs, any cash sum becoming
10 payable to that respondent be paid within 60 days after the
11 last date on which that respondent could have paid their well
12 costs?

13 A. Yes.

14 Q. You know what, I've got revised exhibits
15 here too. Send one of those down to Mr. Epling.

16 (Jim Kaiser passes out revised exhibits.)

17 Q. Mr. Baker, I got a little ahead of myself.
18 Can you explain why we filed revised exhibits?

19 A. On Tract 1, Mr. Cepheus Lockhart has signed
20 a ratification to the original lease, thereby, being a leased
21 interest.

22 Q. And that's reflected in B-2?

23 A. Yes.

24

--

1 Q. No other changes?

2 A. No.

3 BOB WILSON: Excuse me, do you have other copies of

4 the exhibits? They didn't quite make it around here.

5 DAVID EPLING: I might have...this might be yours.

6 I didn't get a copy.

7 BENNY WAMPLER: Yeah, we had enough.

8 BRUCE PRATHER: We've got enough.

9 BOB WILSON: Okay. Okay, sorry.

10 JIM KAISER: Do you got enough? There should have

11 been ten copies.

12 BENNY WAMPLER: We got them.

13 JIM KAISER: Okay.

14 BOB WILSON: Okay. It just didn't make it quite

15 this far. Thank you.

16

17 Q. All right. Where was I? Escrow, Mr.

18 Baker, are we going to establish...the Board does need to

19 establish an escrow account for this unit for two purposes:

20 One, will be to, I guess in this case, on Tract 1 we would

21 ask that eight-eighths of the proceeds be escrowed to the

22 interest that's attributable to the Ocie Lockhart Heirs where

23 the lease is in dispute; and, then, one-eighths of the

24

1 proceeds attributable to the unknown K. S. Collie Estate
2 in Tract 7? Would that be correct?

3 A. Yes. That's correct.

4 Q. Okay. And who should be named operator
5 under the force pooling order?

6 A. Chesapeake Appalachia, LLC.

7 JIM KAISER: That's all I have for this witness at
8 this time, Mr. Chairman.

9 BENNY WAMPLER: How much did you say attributable
10 to Tract 1?

11 JIM KAISER: Well, since the lease is in dispute, I
12 think it would be prudent to escrow the entire amount.

13 BENNY WAMPLER: Go ahead.

14 JIM KAISER: That's I have for this witness.

15 BENNY WAMPLER: Any questions of this witness?

16 (No audible response.)

17 BENNY WAMPLER: Call your next witness.

18

19

20 STAN SHAW

21 having been duly sworn, was examined and testified as
22 follows:

23 DIRECT EXAMINATION

24

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1 QUESTIONS BY MR. KAISER:

2 Q. Mr. Shaw, if you would state your name for
3 the record, who you're employed by and in what capacity?

4 A. My name is Stan Shaw. I work for Chesapeake
5 Appalachia as a reservoir engineer.

6 Q. And do your responsibilities include the
7 land involved here and in the surrounding area?

8 A. Yes.

9 Q. Are you're familiar with the proposed
10 exploration of this horizontal well?

11 A. Yes.

12 Q. And what's the total depth of this proposed
13 well?

14 A. 8,146 feet.

15 Q. And the estimated reserves for the unit?

16 A. 1,000 million cubic feet.

17 Q. Are you familiar with the well costs?

18 A. Yes.

19 Q. Has an AFE been reviewed, signed and
20 submitted to the Board with the application?

21 A. Yes.

22 Q. In your opinion, does the AFE represent a
23 reasonable estimate?

24

--

1 A. It does.

2 Q. What would the dry hole costs and completed
3 well costs for this well be?

4 A. The dry hole costs are \$1,126,219 and the
5 completed well costs are \$1,876,403.

6 Q. Do these costs anticipate a multiple
7 completion?

8 A. Yes.

9 Q. Does your AFE include a reasonable charge
10 for supervision?

11 A. Yes.

12 Q. In your professional opinion, would the
13 granting of this application be in the best interest of
14 conservation, the prevention of waste and the protection of
15 correlative rights?

16 A. Yes.

17 MR. KAISER: Nothing further of this witness at
18 this time, Mr. Chairman.

19 BENNY WAMPLER: Mr. Epling, do you have questions
20 of either witness?

21 DAVID EPLING: I do for Mr. Baker---.

22 BENNY WAMPLER: Sure. I'm sorry---.

23 DAVID EPLING: ---Mr. Chairman.

24

--

1 BENNY WAMPLER: ---I didn't pass you there earlier.

2 DAVID EPLING: That's okay. I didn't want to step
3 in.

4

5 DENNIS BAKER

6 CROSS EXAMINATION

7 QUESTIONS BY MR. EPLING:

8 Q. Mr. Baker, I believe on the...on your application and some of
9 these lists of Heirs of the Ocie Lockhart we mentioned a Ms. Mounts, who is the
10 mother of Cepheus Lockhart. Was she sent notice to this? Do you know if she---?

11 A. I wouldn't think so.

12 Q. Okay. The...we mentioned the ongoing litigation. Apparently,
13 you are aware that...let me back up. Chesapeake, did they buy out Columbia Gas's
14 interest? Are they successor and interest to Columbia Gas?

15 A. Yes.

16 Q. Okay. Then I take it, you're aware of the lawsuit that's
17 pending in the Circuit Court in Dickenson County where Martha Jane Epling and Ms.
18 Mounts sued Columbia Gas to establish who owned the Ocie Lockhart Gas Estate
19 and to establish the back amount of moneys owned to them. Are you aware of that
20 lawsuit?

21 A. I'm aware that there is a lawsuit pending. The details of it
22 I'm not familiar with, no.

23 Q. Okay. Is it because of that lawsuit that you have this
24

--

1 lease...this little asterisk against lease? We don't know if it's leased or not leased. I
2 guess it's a betweener. It's between leased and not leased.

3 A. That's correct.

4 Q. And I know on this statutory election in the case of a leased
5 tract, it's 300% of the share of the costs and in the case of an unleased tract it's a
6 200% share of the costs, is that correct?

7 A. Uh-huh. Yeah.

8 Q. Where in the statute does the betweener come in? Where...I
9 mean, is there any...I'm looking at this, I guess, Attorney General's opinion that was
10 sent to Honorable Mr. Wampler and I don't see any betweener leases leased in
11 here. It's either leased or it's not leased. I'm just wondering, do you know of any
12 provision of law that allows this Board to decide whether a lease is valid or invalid or
13 that would give this Board permission to pool a unit where there is a dispute about
14 whether it's leased or not leased especially in particularly where there's already a
15 pending suit in the Circuit Court of Buchanan County...I'm sorry, the Circuit Court of
16 Dickenson County?

17 A. I believe that's why we're asking the Board to escrow the
18 percentage pertaining to Tract Number 1, to escrow it so that there are no moneys
19 distributed until the resolve of the litigation.

20 Q. Okay. Are you aware that that Court in 1993, in that same
21 lawsuit that I was just talking about, entered an order that established that Ocie
22 Lockhart died, seized and possessed of her oil and gas rights?

23 A. No, I'm not familiar with the Court case other than it is
24

1 pending.

2 Q. Okay. Do you know whether or not Columbia Gas is paid
3 any oil and gas rights to the Heirs of Ocie Lockhart?

4 A. The only...there was an existing well that I think everyone
5 has been paid their share of.

6 JIM KAISER: Mr. Chairman, I'm going to object to the line of
7 questioning and the relevance thereof because the 1982 lawsuit is not jurisdictional to
8 the Board and it's not before the Board today.

9 BENNY WAMPLER: I'm going to overrule and let him...you know, see
10 where he's going with it and give him an opportunity to...you know, your objection is
11 understood. But I still will allow him to pursue this because, you know, he's raised
12 the issue of whether or not the Board has jurisdiction to hear this.

13 Q. Sir, the...you mentioned that you had the rights to drill. I
14 believe you've already filed a permit to drill on the 42 acres of Ocie Lockhart, is that
15 correct? I think we've filed objections. I think that's pending between the Director.
16 Are you aware of that?

17 A. Yes.

18 Q. Okay. Sir, are you aware that in that lawsuit when we filed
19 a...Columbia Gas filed an answer and their grounds of defense stated as follows:
20 "The Defendant, Columbia Gas Transmission, Incorporation, would further state that it
21 admits that it is operating the gas well on certain of the property described in the
22 Plaintiff's motion for judgment and has been paying royalties for many years to
23 Florence Lockhart Cochran and to Christopher Lockhart." Were you aware that that
24

1 their answer?

2 A. No. I have not been furnished a copy of the pending
3 litigation.

4 DAVID EPLING: That's all the questions. Thank you, Mr. Chairman.

5 BENNY WAMPLER: Okay. Questions from members of the Board?

6 BRUCE PRATHER: I have a question.

7 BENNY WAMPLER: Mr. Prather.

8 BRUCE PRATHER: I assume this would be like the previous thing
9 and that is there's no way you would put a location on this acreage that is in dispute
10 until you get it resolved, is that correct?

11 DENNIS BAKER: And the company's position, you know, we
12 have...we have the lease. It's being held.

13 BRUCE PRATHER: Yeah.

14 DENNIS BAKER: We would have the rights to drill.

15 JIM KAISER: Well, and we...if I could---.

16 BRUCE PRATHER: But, are you going to put this well on disputed
17 property?

18 JIM KAISER: Well, he don't own the surface. We have set this up so
19 that with the way we've set up the escrow and the way that we just testified to have
20 the escrow placed in to the account so that everybody's rights and interests are
21 protected. That's the way...that's the reason we set it up this way. We showed the
22 dispute, the lease in dispute and we just testified to those undivided interest owners
23 within the Tract in dispute. We will escrow eight-eighths of the proceeds. So,

24

--

1 therefore, everybody is protected.

2 BENNY WAMPLER: That's why I had him repeat that of how much
3 they were putting into escrow. Other questions or comments?

4 MARY QUILLEN: Mr. Chairman, just one clarification, that is all of
5 Tract 1, correct?

6 JIM KAISER: No, it's not all of it.

7 MARY QUILLEN: Oh, okay.

8 JIM KAISER: There are...I guess Florence and Christopher's interest
9 are...and Cepheus, they're not in dispute.

10 MARY QUILLEN: Okay.

11 JIM KAISER: They're happy.

12 MARY QUILLEN: Okay. Thank you.

13 JIM KAISER: Relatively.

14 DAVID EPLING: Relatively happy.

15 JIM KAISER: Yeah, relatively.

16 DAVID EPLING: I appreciate that.

17 BENNY WAMPLER: Other questions or comments?

18 DAVID EPLING: I have a closing comment that I'd like to make.

19 BENNY WAMPLER: Yes, sir.

20 DAVID EPLING: I don't want to get in your way.

21 BENNY WAMPLER: You can---.

22

23 DAVID EPLING: Could I explain just a little bit why I've come here

24

--

1 from really about thirty-five years ago? The lease we're talking about that's in
2 dispute with a lease that Columbia Gas came to the Ocie Lockhart Heirs and asked
3 them if they would lease this 42 acres that we're talking about as previously filed the
4 permit. The Heirs all signed the lease. A couple of years later, Columbia Gas
5 backs up the truck to the property, we open the gates and they go in and start
6 drilling a hole in the ground. They send us one check for approximately \$28. By
7 the time you divide all of that out amongst all of the people on the lease it was
8 about \$5 a piece. In that check, they advised my mother and Ms. Mounts and her
9 family, Frank Lockhart, Woodrow Lockhart and Betty Dales, that they didn't own any
10 gas rights because Ocie Lockhart had already transported the gas rights to one of
11 the lessees, J. P. Lockhart and Florence Lockhart. Of course, my mother informed
12 them that was wrong. For many years, she tried to get her \$5 or \$10 that the gas
13 company owned her. And in 1990, I wrote the gas company and asked them if they
14 would respectfully catch up on this. Of course, they denied...they didn't decline to do
15 that. So, I had to file the lawsuit in 1992 to establish who owned the gas rights
16 when Ms. Lockhart died and to get our back part of the monies that was owed to us.
17 It's a crazy case. Everybody that has been in this case it has either been a Judge
18 or moved on up. One of the attorneys for Columbia Gas went on to be a Judge.
19 One of the attorneys that represented Ms. Cochran went on to be a Judge. I was
20 telling Jim Kaiser the other day, I was hoping I would get my chance to be a Judge
21 one of these days, but I don't guess that will happen. But it has been a long drawn
22 out case. In '93, the Court decided that Ocie Lockhart did died seized and
23 possessed of this oil and gas rights. So, it's just a matter of settling up paying the
24 people that they never paid a dime on this. In Columbia's gas answers, they admit

1 that they never paid any of these people a dime on this property. Now, that order
2 was entered in 1992. We've been fifteen years since then and still not got a dime
3 out of this property. By the production records that's filed with the Division of Mines,
4 Minerals and Energy Oil and Gas Division, they've pumped a half million mcf of gas
5 off of this property and they've never paid us a bit. We think it would be
6 unconscionable for this Board to give them permission now to come on again and
7 extract more gas off of this property without settling up with us on the first gas well
8 they put in the property. That's just unconscionable to me that people died that
9 started this suit died and never got a penny out of it.

10 Furthermore, I guess it's more a legal argument, as I tried to point out
11 in cross examination, there is betweener. There's nothing in the statute that says
12 that if there's a lease that is contested you have a statutory election for leased
13 property. Statutory elections for unleased property. There is no statutory election for
14 property where the lease is in dispute. That's what they've put in their petition. So,
15 we would respectfully ask that this Board to take this matter under advisement and
16 not to issue any pooling agreements until such time that this lease can be litigated.
17 It's a case that's already been filed. It's in the Circuit Court of Dickenson County.
18 We don't think it's property to pool anymore gas until the old lawsuit is settled,
19 monies are paid up and we find out there's a lease because there is no betweener in
20 the statute according to the Attorney General's opinion. Thank you.

21 JIM KAISER: I guess I need to respond to that. This 1972 well was
22 drilled, you know, before any statewide spacing in a voluntary unit. I think we...the
23 unit declaration was filed. the declaration of pooling was filed on...for three leases.
24 He's right, the Columbia Natural Gas or whoever they were then, Columbia Gas

1 Transmission, made a determination that based on somebody's title that one of the
2 deeds had a heretofore exception in it and they read that as divesting his mother of
3 the oil and gas. He got a judgment from...I think it was Judge McGlothlin stating that
4 the deed...the heretofore exception did not pass the gas to...pass the gas onto
5 Lockhart or whoever the son was, but that it remained in the mother. Now...and
6 that's all, you know, everybody's...that's not the way I ever read a heretofore
7 exception, but that's beside the point I guess at this point. I mean, he has that order
8 from the Judge.

9 Now, as far as how much gas is being produced, I mean, I don't know
10 where he got those figures, but I've got figures. I'm not going...we don't need to
11 present that to the Board at this time. That's part of the litigation. But I would ask
12 Mr. Epling since he's claiming that we haven't been paying since that order sixteen
13 years ago. Since he's playing that card, I would have to ask him what efforts he
14 ever made? I'd like to see copies of letters or whatever he sent to Columbia asking
15 for the money. The reason he never asked for it because the way is not very good.
16 There's not a lot of money there. We have recently made an offer to him to pay
17 him for those back royalties at a very...the exact amount of gas that has been
18 produced at a very execrated gas price for the period of time from 1974 until 2008.
19 He has not been willing to accept that. This well will not be drilling any...will not be
20 draining any gas from that unit. It's not pertinent to that unit. Again, we have set
21 this pooling application up so that whatever... however this litigation comes
22 down...however it gets worked out, his...a 100% of the interest that he represents will
23 be protected.

24 BENNY WAMPLER: Questions from members of the Board?

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1 (No audible response.)

2 BENNY WAMPLER: Ms. Pigeon, do you have any advice to the
3 Board?

4 SHARON PIGEON: Well, this seems to be basically a conflicting claim
5 situation. They have enough under lease to meet the statutory requirements for
6 pooling and even though they've given us both numbers, I think that out an
7 abundance of caution they could have gone to the lower number and met the
8 statutory requirement and not even brought that into the Board's consideration. So, I
9 don't think the fact that this case is out there changes basically the normal situation
10 we're looking at. The fact that Mr. Epling has this 1992 case order, which also is
11 not before this Board and would be outside their jurisdiction, taking it at face value
12 just based on what he said, it's still...he owes his client an obligation to collect on
13 that. That's nothing to do with this Board. Asking this Board to hold up approval in
14 sort of a blackmail fashion is beyond our jurisdiction here.

15 BENNY WAMPLER: Other questions or comments?

16 (No audible response.)

17 BENNY WAMPLER: What's your pleasure?

18 MARY QUILLEN: Mr. Chairman, a motion to approve the pooling.

19 BENNY WAMPLER: Motion to approve. Is there a second?

20 PEGGY BARBAR: Second.

21 BENNY WAMPLER: Second. Any further discussion?

22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying yes.

24 (All members signify by saying yes.)

1 BENNY WAMPLER: Opposed, say no.
2 (No audible response.)
3 BENNY WAMPLER: You have approval.
4 JIM KAISER: Thank you.
5 BOB WILSON: Mr. Chairman.
6 BENNY WAMPLER: Mr. Wilson.
7 BOB WILSON: For purposes of the order of preparation, am I to
8 understand that the entire proceeds of that tract will be under escrow eight-eighths of-
9 --?
10 JIM KAISER: Of two-thirds. Eight-eighths of---.
11 BOB WILSON: Yes.
12 JIM KAISER: ---what's in dispute, which is two-thirds.
13 BOB WILSON: And the exhibits that we have and the exhibits that will
14 be recorded in the order need to reflect that specially as opposed to the usual
15 exhibits that we get, please.
16 BENNY WAMPLER: And copy Mr. Epling with those.
17 JIM KAISER: Sure.
18 DAVID EPLING: Mr. Chairman, may I thank the Chair and the Director
19 of the Board for listening to me in this manner? I would want to respectfully take
20 exception to the ruling just based on that statutory betweenner. I don't think there is
21 any between a lease. Thank you.
22 BENNY WAMPLER: We understand that. Thank you. Next is a
23 petition from Appalachian Energy, Inc. for pooling of coalbed methane unit AE-212,
24 docket number VGOB-08-0318-2183. We'd ask the parties that wish to address the

1 Board in this matter to come forward at this time.

2 JIM KAISER: Mr. Chairman, in this case, it will be Jim Kaiser, Justin
3 Phillips and Frank Henderson for Appalachian Energy.

4 (Justin Phillips and Frank Henderson are duly sworn.)

5 BENNY WAMPLER: The record will show no others. Mr. Kaiser, you
6 may proceed.

7 JIM KAISER: We'll start with Mr. Phillips.

8

9 JUSTIN PHILLIPS

10 having been duly sworn, was examined and testified as follows:

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. KAISER:

13 Q. If you would state your name for the record, who you're
14 employed by and in what capacity?

15 A. Landman. Justin Phillips for Appalachian Energy.

16 Q. Do your responsibilities include the land involved in this unit
17 and in the surrounding area?

18 A. Yes.

19 Q. Are you familiar with the application that we filed seeking to
20 pool any unleased interest in the unit for...well, in the unit number I-32 for the well
21 AE-212, which was dated February the 15th, 2008?

22 A. Yes.

23 Q. Does Appalachian Energy, Inc. own drilling rights in the unit
24 involved here?

--

1 A. Yes, we do.

2 Q. And prior to the filing of the application and on a continuing
3 bases were efforts made to contact each of the respondents in the unit and an
4 attempt made to work out a voluntary agreement regarding the development of the
5 unit?

6 A. Yes.

7 Q. And at this point in time, what is the percentage of both the
8 gas estate and the coal estate that's under lease to Appalachian?

9 A. 93.36% of both the gas and the coal.

10 Q. So, what we're talking about here is obviously a fee mineral
11 tract?

12 A. Yes.

13 Q. So, the percentage of both the gas estate and the coal
14 estate that remains unleased is 6.64%?

15 A. Yes.

16 Q. And I don't believe we have any unknown or unlocateables in
17 this unit?

18 A. No.

19 Q. So, in your professional opinion, due diligence was exercised
20 to locate each of the respondents named herein?

21 A. Yes.

22 Q. Are the addresses set out in Exhibit B to the application the
23 last known addresses for the respondents?

24 A. Yes, they are.

1 Q. Are you requesting the Board to force pool all unleased
2 interest listed at Exhibit B-3?

3 A. Yes.

4 Q. Are you familiar with the fair market value of drilling rights in
5 the unit here and in the surrounding area?

6 A. Yes.

7 Q. Could you advise the Board as to what those are?

8 A. A five dollar bonus, a five year term and a one-eighth
9 royalty.

10 Q. In your opinion, do the terms you just testified to represent
11 the fair market value of and the fair and reasonable compensation to be paid for
12 drilling rights within this unit?

13 A. Yes, they are.

14 JIM KAISER: Mr. Chairman, do you want me to go through the
15 statutory election thing again or just see if he agrees?

16 BENNY WAMPLER: If he'll accept those statutory elections---.

17 Q. Do you accept the standard statutory election terms?

18 A. Yes, we do.

19 BENNY WAMPLER: Then they will be incorporated.

20 Q. And, Mr. Phillips, I guess in this case the Board does not
21 need to establish an escrow account, is that correct?

22 A. No, we do not.

23 JIM KAISER: Nothing further of this witness, Mr. Chairman.

24 BENNY WAMPLER: Questions from members of the Board of this

1 witness?

2 (No audible response.)

3 BENNY WAMPLER: Call your next witness.

4

5 FRANK HENDERSON

6 having been duly sworn, was examined and testified as follows:

7 DIRECT EXAMINATION

8 QUESTIONS BY MR. KAISER:

9 Q. Mr. Henderson, if you would state your name, who you're
10 employed by and in what capacity?

11 A. Frank Henderson, Appalachian Energy, president.

12 Q. And what's the total depth of this proposed well?

13 A. 1562 feet.

14 Q. Estimated reserves over the life of the unit?

15 A. 250 million cubic feet.

16 Q. Has an AFE been signed, reviewed and submitted to the
17 Board as Exhibit C?

18 A. Yes, it has.

19 Q. In your opinion, does it represent a reasonable estimate of
20 the well costs?

21 A. Yes.

22 Q. Could you state both the dry hole costs and completed well
23 costs for this well?

24 A. The dry hole costs of \$134,831 and completed well costs

--

1 \$359,448.

2 Q. Do these costs anticipate a multiple completion?

3 A. Yes.

4 Q. Does your AFE include a reasonable charge for supervision?

5 A. Yes.

6 Q. In your opinion, would the granting of this application be in
7 the best interest of conservation, the prevention of waste and the protection of
8 correlative rights?

9 A. Yes.

10 JIM KAISER: Nothing further of this witness at this time, Mr.

11 Chairman.

12 BENNY WAMPLER: Questions from members of the Board of this
13 witness?

14 (No audible response.)

15 BENNY WAMPLER: Do you have anything further?

16 JIM KAISER: We'd ask that the application be approved as submitted.

17 BENNY WAMPLER: Is there a motion?

18 BRUCE PRATHER: Motion to approve.

19 MARY QUILLEN: Second.

20 BENNY WAMPLER: Second. Any further discussion?

21 (No audible response.)

22 BENNY WAMPLER: All in favor, signify by saying yes.

23 (All members signify by saying yes.)

24 BENNY WAMPLER: Opposed, say no.

--

1 (No audible response.)

2 BENNY WAMPLER: You have approval.

3 BOB WILSON: Mr. Chairman.

4 BENNY WAMPLER: Mr. Wilson.

5 BOB WILSON: We need a tract identification key for the plat. It

6 wasn't submitted with the application.

7 JIM KAISER: In other words, something like you would file with your

8 permit...mineral interest in DGO-7 basically?

9 BOB WILSON: Basically, the same thing that's submitted with the

10 app...the permit application.

11 JIM KAISER: Right.

12 BENNY WAMPLER: Okay. Do you agree to do that?

13 JUSTIN PHILLIPS: Yes, we do.

14 BENNY WAMPLER: All right. Thank you. We continued thirty-one.

15 Board, we're going to thirty-two now. Thank you, gentlemen. This is a petition from

16 Range Resources-Pine Mountain, Inc. for establishment of a 320-acre conventional

17 gas unit for drilling horizontal wells. This is docket number VGOB-08-0318-2185.

18 BOB WILSON: Mr. Chairman.

19 BENNY WAMPLER: Mr. Wilson.

20 BOB WILSON: Before we get into this particular application, there's a

21 couple of things that I would like to bring before the Board, if I might. Number one,

22 we had an incident with one of the wells, it has been drilled, that I have asked

23 Equitable Production Company's people to come in and talk to the Board about just

24 for informational purposes. Basically, what happened was, we had some up hole

1 communication with the higher horizon during a stimulation. They've agreed to come
2 and talk to the Board about that and get what information they have on that at the
3 present time. To some degree, it bears on future consideration of these units and
4 what we consider when the units are being proposed. Also, I have a map here that
5 I'm going to hand out to you that will show you where these 320-acre units have
6 been approved so far occur so you get some kind of an idea of the geographic
7 distribution of them. If the folks from Equitable who are going to address this would
8 come up.

9 BENNY WAMPLER: Mr. Grantham, if you gentlemen want to come
10 down, unless you're already familiar with this, you're welcome to if it impacts what
11 you're planning.

12 (Off record discussion.)

13 BENNY WAMPLER: Okay, Mr. Wilson.

14 BOB WILSON: Actually, I have little to offer other than what I already
15 have. We were notified that there had been a problem with the...I believe the one
16 well that Equitable has drilled and stimulated to date in that, as I said, there was
17 communication up hole with an already completed horizon in adjacent wells. It
18 seems to have a pretty good mechanical explanation, but we thought it would be
19 worthwhile to have them explain to the Board exactly what has happened such that
20 you'll have this bit of information going forward. I think we established all of these
21 units based on or actually on a provisional basis, which means that the Board needs
22 to get ongoing feedback for this because these things are going to continue to come
23 in. We have several on there today. We have, I think, five more next month that
24 are coming in. So, the more feedback that can be given without getting into

1 somebody's business affairs I think the more...the better decisions the Board can
2 make on these things. So, I'll just turn it over to you guys and let you share with us
3 whatever you can on that incident.

4 BENNY WAMPLER: Well, the Board has asked for ongoing updates
5 and I appreciate you doing that. We will need to swear you in because what you
6 say could impact other operators potentially and we'll go ahead and take sworn
7 testimony. If you'll raise your right hands.

8 (Joe Morris, Adam Abfall and Jerry Grantham are duly sworn.)

9 JOE MORRIS: I'm Joe Morris, director of geology with Equitable
10 Resources.

11 ADAM ABFALL: My name is Adam Abfall. I'm the director of
12 horizontal drilling for Equitable Resources.

13 BENNY WAMPLER: Spell your last name.

14 ADAM ABFALL: It is A-B-F-A-L-L.

15 BENNY WAMPLER: Go ahead.

16 JOE MORRIS: Okay. I gave you guys a handout. I'm just going to
17 go very briefly over what occurred and then Adam has some drawings where he's
18 going to explain what happened and how we feel we can prevent this from
19 happening in the future.

20 BENNY WAMPLER: Do we have an extra handout? Do you have a
21 copy, Mr. Grantham?

22 JERRY GRANTHAM: I don't.

23 ADAM ABFALL: There's extra ones here.

24 JOE MORRIS: Yeah, we've got extra ones.

--

1 JERRY GRANTHAM: Thank you.

2 BENNY WAMPLER: All right. Go ahead.

3 MARY QUILLEN: Mr. Chairman, could I ask just one question?

4 These are all the 320-acre conventional horizontal wells, right?

5 JIM KAISER: Yes, ma'am.

6 JOE MORRIS: Yes.

7 MARY QUILLEN: Okay.

8 JOE MORRIS: If you look at the map, it just shows the 536927
9 location. It shows the surface location with the twin well, the 2339, beside of it. We
10 drilled this well to the southeast. We drilled to TD. We did an eight stage frac on it.
11 The three wells that we communicated with are circled in red. These wells produce
12 out of the Berea formation. We drilled into the Devonian Shell. The first six stages
13 were done on one...on the first day and there was no communication, but the
14 communication was seen on the second day with stages seven and eight. The next
15 handout, you can skip over that because Adam is going to discuss the mechanical
16 condition of the well. If you look at...and I apologize, actually you need to skip over
17 the next one. We'll come to it next. I'm sorry, that's all right. The first stage, and
18 the thing to note on that is the red line and that's showing your treating pressure and
19 this well was treating at greater than 5,000 psi. That is more than the norm for a
20 Devonian Shell completion. The next one is stage eight and that's the last stage. If
21 you'll look at the red line on that, that is the treating pressure for that well, which is
22 about 2800 psi. This well treated at a much lower pressure, which is another
23 indication, besides the nitrogen that we saw in the offset wells, but another indication
24 that we did have communication. We feel like we got up into the Berea formation

1 and the formation, of course, previously fraced in these wells. So, it already has
2 some permeability and by fracing back into it, then we...it's a more permeable zone
3 and we connected with these three wells. If you look at the next graph, that is the
4 production of the three wells. The monthly production and it's showing the frac date
5 and if you see on the twin well we did the...we did actually increase the production
6 from the Berea on that. But if you do see, it is starting to come back down to the
7 norm. On the other two wells, the communication was just for a couple of days and
8 they have settled back to about where they were. It's on normal decline. That is
9 pretty much what I have. Adam has got some drawings that he's going to do
10 showing how...how we set the well up for completion and what we think we can do
11 to do a better job on this.

12 BOB WILSON: Mr. Chairman, let me mention one thing---.

13 BENNY WAMPLER: Mr. Wilson.

14 BOB WILSON: ---too. There are no correlative rights issues at stake
15 in these particular...in this particular well because this is on a big piece of fee
16 property. So, we're not concerned with that at this time. This is merely for going
17 forward and we're concerned with this.

18 ADAM ABFALL: Okay. What we put together here on this sheet is
19 showing our final completion assembly that we run in the well. It's showing the
20 different depths and placements of our packers and frac port assemblies. What I
21 tried to do here is show you what actually went into the ground. We'll try to give
22 you somewhat of a visual reference as to what went on for the mechanical failure to
23 trip communication.

24 The reference here on your sheet, we've got this top part right here is

--

1 our...is our top isolation packer, which I'm showing across the open wellbore at this
2 point right here showing sealed on the open wellbore and, of course, our stage eight
3 and back down from there. What we're...what we're trying to show here is that when
4 we did the final stage frac across this zone right here, our treating pressure as
5 shown on the one chart came up and remained very low and very flat, that when this
6 frac ports...when that sleeve shifted it open we have a pressure spike on there, then
7 an immediate drop and then we come up and we flatlined. What that shows us is
8 that the pressure that come up and allowed the ports to open here, the pressure
9 bleeds off into the stage section. In between the two barrier packers and then all of
10 our treating pressure was bi-passed from the open wellbore and the sealing phase of
11 the packers that were sat in the well. From there, our nitrogen was allowed to travel
12 up hole, which is this open wellbore between here and our seven inch casing. It
13 was allowed to travel up well in the Berea formation, which was 222 feet above our
14 top isolation packer for that final stage. So, that could have easily...that easily shows
15 how the pressure would drop off, take up and fill that area and then equal and match
16 the frac gradings that we have there for the Berea formation.

17 BENNY WAMPLER: What was your geology for that 220 feet?

18 ADAM ABFALL: It's open hole.

19 BENNY WAMPLER: Open?

20 ADAM ABFALL: Yes, sir, it's open hole. There's the...from this packer
21 to this packer here that is sat inside the seven inch casing, there's a seven inch
22 shoe, this section from here to here is...was left open with no isolation in between
23 there. Our isolation from surface was this packer up inside our seven inch and then
24 from here between stages is this packer right here in the open hole.

--

1 BENNY WAMPLER: But as your frac went through...I don't mean to
2 disrupt your presentation. But as your frac went up to...traveled up 220 feet into the
3 Berea from the Devonian, what all...did it go through sandstone? What was...what
4 your---?

5 ADAM ABFALL: It would go directly into the Berea. It would travel
6 between this annulus space of a 600 foot of wellbore and the OD of the four and a
7 half. There is no formation for it to travel through. It's open air space directly into
8 the Berea. As this zone right here pressures up, that right there is where we saw
9 the communication.

10 BENNY WAMPLER: Okay. I understand what you're saying now.
11 Thank you.

12 BRUCE PRATHER: Well, the Berea was previously broken down,
13 wouldn't it?

14 ADAM ABFALL: Yes, sir.

15 JOE MORRIS: Yes.

16 BENNY WAMPLER: Yeah. That's what---.

17 ADAM ABFALL: Yes, sir. And this for reference, on our surface
18 chart there, we're showing the two wells right next to each other and they were. The
19 distance from location they were...they were a few hundred feet apart on location.
20 But from where this packer is setting where we actually penetrated the Berea, I'm
21 sure you've had enough of the horizontal stuff in here. You know where we...where
22 we come off from well center and we build that curve to get away we were some
23 distance away, you know, from that particular...from that particular well. So, it's not
24 like we were right next to it. So, we're showing the communication from the

1 stimulation on the existing well that you're allowed to penetrate.

2 MARY QUILLEN: Question---.

3 ADAM ABFALL: Yes, ma'am.

4 MARY QUILLEN: ---on this graph right here, is this where...stage

5 eight is this where this occurred?

6 ADAM ABFALL: Yes, ma'am.

7 MARY QUILLEN: And this is what happened, is that what you're

8 saying?

9 ADAM ABFALL: Yes, yes. If you don't mind me showing, what I

10 showed here, as you can see where our pressures come up on the red line on that

11 eighth stage and there's a spike right there where the...where the best showing. The

12 mechanics of the sleeve, there's sheer pins in there. It takes so much pressure to

13 shift those and open the ports to expose it to the open wellbore. Once those sleeve

14 shift and open, you see in that pressure drop and the rush of volume. The volume--

15 -.

16 MARY QUILLEN: This is where it drops off here?

17 ADAM ABFALL: Yeah. The sleeves open and shift---.

18 MARY QUILLEN: And then this is where it went up into the Berea?

19 ADAM ABFALL: And that pressure drop is that pressure dissipating off

20 into this zone in between here and here filling that up and once he reaches that

21 pressure the nitrogen then continues---.

22 MARY QUILLEN: And right here is where it came across in the

23 Berea?

24 ADAM ABFALL: Yes, ma'am.

1 MARY QUILLEN: Okay. And then dropped down?

2 ADAM ABFALL: Yeah. And then into the frac stage the pressure

3 obviously we've bled that off and the communication was completed at that point

4 between the wells. So, that's exactly what happened.

5 BRUCE PRATHER: I have a question.

6 BENNY WAMPLER: Mr. Prather.

7 BRUCE PRATHER: How much distance do you got between the

8 bottom of the Berea and the bottom of that seven inch casing? How much pipe

9 you've got...how much pipe you've got there?

10 ADAM ABFALL: That's about 1220 feet, sir.

11 BRUCE PRATHER: How much?

12 ADAM ABFALL: Or 1120 feet.

13 BRUCE PRATHER: Okay.

14 ADAM ABFALL: From the top of this packer here---.

15 BRUCE PRATHER: Yeah.

16 ADAM ABFALL: ---to the Berea is 222.

17 BRUCE PRATHER: Okay. How far is it up to the bottom of your

18 pipe, the bottom of your seven inch?

19 ADAM ABFALL: And what I'm showing from the seven inch shoe to

20 this packer right here is 1381 feet.

21 BRUCE PRATHER: Okay.

22 MARY QUILLEN: Less the 222 is what---.

23 ADAM ABFALL: Yeah, about 1160.

24 MARY QUILLEN: Right.

1 ADAM ABFALL: About 1160 feet.

2 BENNY WAMPLER: If any of you other folks that are drilling and this
3 have...want to come down where we can have it on record...all we're doing here...this
4 just, in my view, shifts into like a workshop, sharing information because what we
5 want to do is anybody that has had a bad experience to try to share it and we
6 encourage others to do that too. It's not a penalty in this at all for anybody. It's a
7 matter of...you're sharing what you've learned from this and looking for solutions for
8 the future.

9 ADAM ABFALL: Well, I'd like...I'd like to be as open as possible with
10 questions for us.

11 BENNY WAMPLER: As long as we can keep it recorded, I think...you
12 know, we'll condone that.

13 ADAM ABFALL: Yes, sir, thank you. I've put some of the other
14 specifications out here, but referencing simply to the failure I hope I showed as far
15 as reference for depths and spacing and how the tools were applied and how they
16 could have failed on that particular seal. I did show the remaining portion of the
17 system and how it was done, which is it's not a standard completion for us. We
18 were...we were forced to run this system with a lighter hanger up here in the seven
19 inch because of difficulties running the system in in that particular well. What we've
20 done is we've come up with a solution. We have a mechanical solution to take care
21 of the issues on this well. Those issues were getting the four and a half to where
22 we originally designed the system to be upon completion and also isolating the Berea
23 from...for any other producing upper hole zones from our stimulation.

24 BRUCE PRATHER: I have a question.

--

1 ADAM ABFALL: Yes, sir.

2 BRUCE PRATHER: Did you run a Bond logs on the seven inch

3 casing?

4 ADAM ABFALL: On the seven inch casing...I'd have to look back in

5 the well records on that. I believe there was not---.

6 JOE MORRIS: Probably not.

7 ADAM ABFALL: ---on that seven inch.

8 BRUCE PRATHER: Okay.

9 ADAM ABFALL: Off the top of my head, I'd just have to say there

10 was not. Cement to surface, but no Bond log.

11 BRUCE PRATHER: Yeah. Okay.

12 ADAM ABFALL: This right here is a system that we proposed for the

13 job if it were to go all the way in. Just to reference back real quick. We had...we

14 had difficulties running the four and a half system in. We were unable to get it

15 exactly where it was programed to be due to difficulties trying to get it out into that

16 lateral section. So, we ended up...everything was shifted up hole about 366 feet

17 from where it originally intended the system to be landed. So, that did two things

18 against us. It kind of...it put us up in some rock that we originally did not intend to

19 put the packers in for the barrier and it also kind of shifted everything up a little bit

20 closer to that Berea as well. The original system we should have had more spacing,

21 whereas the other...the other system we had 222 feet, the one that was in the

22 ground. We should have had 608 feet. That's not particularly by design that we

23 had 608, it was just that that's our last date that we had but it would have allowed

24 much more spacing in between our isolation packer and the bottom of our Berea

1 formation. Of course, we would have had isolation lower in that seven inch...seven
2 inch casing as well. Now, this system here, even if it would have went all the way
3 in, it probably would not have prevented the communication in the Berea. So, what
4 we're... so, what we're coming up with here is on future projects what we would have
5 to do is make a change to the system. This packer right here would be eliminated.
6 This one I wouldn't have to go into the seven inch casing anymore. This would be
7 four and a half casing continuous from the well up. What we would do is we would
8 put a second packer stacked on top, which is what we're doing is a standard
9 operating procedure now throughout much of our Kentucky operations because we
10 have also seen a couple of communications up there. So, we're giving ourselves a
11 hundred percent redundancy of a second barrier right on top of our last stage. What
12 that's doing is it's giving us back up on the stack against series back to back. For
13 example, you would have one at say 4100 feet and your one after that would be
14 4125. Then, once that second packer is in, the system is set and everything is in
15 place. This right here is space. It's still left open. What we do then is we would tie
16 on here and we would pour cement in and we would cement back up approximately
17 200 feet back into the seven inch giving us a complete cement barrier across both
18 sides so we would have packer, packer and cement back up into the seven inch
19 providing us with mechanical and physical barriers of future wells.

20 BRUCE PRATHER: I have a question. Wouldn't that be a retainer
21 packer?

22 ADAM ABFALL: No, it's not...it's---.

23 BRUCE PRATHER: I mean, you know, that you can...you can pack off
24 down below, but you can cement through it. You know, it rotates...it shifts around

--

1 and opens the ports. That's now what it is?

2 ADAM ABFALL: No, sir. These are hydraulic set packers.

3 BRUCE PRATHER: Okay.

4 ADAM ABFALL: What they've got is they've got a sleeve of piston in

5 there and they've got brass shire screws in there. Once you reach a certain

6 pressure 1100 to 1300 pounds down hole on ours. That sleeve shifts.

7 BRUCE PRATHER: Yeah.

8 ADAM ABFALL: And what it does when that shifts that sends those

9 rubber seals---

10 BRUCE PRATHER: Yeah.

11 ADAM ABFALL: ---out into the open wellbore. Obviously, they can

12 only seal in so much as well.

13 BRUCE PRATHER: Yeah.

14 ADAM ABFALL: They can't go into like say ten inch wellbore. You've

15 got to wash out this particular spot.

16 BRUCE PRATHER: Yeah. Once you get below the Berea you start

17 running quite a bit of hole (inaudible) in those shells.

18 ADAM ABFALL: In the shells?

19 BRUCE PRATHER: Yeah.

20 ADAM ABFALL: We've seen some, but not near as much as you'd

21 actually think. Six and quarter hole drill, six and a half and six and three-quarter

22 from some of our caliber logs that we've run. Severe...the worse cases of where

23 we've filled them on fluid or a foam system still six and three-quarter to seven inch.

24 Right in there where it's still within the sealing perimeters of those packers.

1 MARY QUILLEN: So, you're saying you've changed... you're changing
2 the design?

3 ADAM ABFALL: Yes, ma'am.

4 MARY QUILLEN: And do you think the design was responsible for the
5 failure of the equipment or a combination of both?

6 ADAM ABFALL: A combination of both. I think the assumption that
7 one packer or one barrier in this particular situation is one barrier is not sufficient---.

8 MARY QUILLEN: right.

9 ADAM ABFALL: ---by any means. In any other situation, we would
10 go with just the...where we would production through these upper zones and we
11 would need to isolate like some of our multiple well locations that we're doing. We
12 would run either the single packer and do the cement back up in or we would do the
13 double packer. In this particular scenario, we're proposing we do the full double
14 packer and cement here to.

15 MARY QUILLEN: How many wells have you...have you drilled using
16 that previous system?

17 ADAM ABFALL: In Virginia none.

18 MARY QUILLEN: None? So, this was the first one in Virginia?

19 ADAM ABFALL: Yes, ma'am.

20 MARY QUILLEN: So, you learned from a bad experience?

21 ADAM ABFALL: Yes, ma'am. Yes, ma'am.

22 BRUCE PRATHER: I have a question. The failures that you've up in
23 Kentucky, were they caused by the limitation of the distance between the formation
24 that's open up above and where your packer is? Is it the same problem?

--

1 ADAM ABFALL: As far as---?

2 BRUCE PRATHER: That distance.

3 ADAM ABFALL: From here to here?

4 BRUCE PRATHER: Yeah. Is it the same problem up in Kentucky?

5 ADAM ABFALL: I would say that it's back on mechanics again. It's

6 back to the...no, sir. It's back to the failure of the packer seals.

7 BRUCE PRATHER: Okay.

8 ADAM ABFALL: And it's not...like I said, the packers aren't a 100%.

9 There has been situations where we feel we've seen communication even between

10 stages, you know, when we've done some of our stimulations. How can we prove

11 it? It's a long ways down or we can't tell. But there has always been some

12 suspicion that we're getting some of that communication every once in a while where

13 we don't have that integrity that the seals are supposed to provide. But knowing

14 that...knowing that now, we'll be able to physically see in this particular situation

15 where we can see the communication from the packer not doing what it's supposed

16 to do we can put redundant systems in to go ahead and try to prevent that from

17 happening anymore.

18 MARY QUILLEN: So doubling those there and then adding the cement

19 would be the buffer---?

20 ADAM ABFALL: Yes.

21 MARY QUILLEN: ---that would---?

22 ADAM ABFALL: It would be somewhat of a triple barrier to it. We've

23 got a 100% redundancy to the mechanic system and then, of course, the physical

24 application of the cement---.

1 MARY QUILLEN: Right.

2 ADAM ABFALL: ---giving us everything back up into the seven inch.

3 So, we would have complete isolation of anything throughout these potential

4 production zones.

5 MARY QUILLEN: And you said the...what did you call the red and

6 black things, the seals?

7 ADAM ABFALL: The packers.

8 MARY QUILLEN: Packers, yes. What level would you say that they

9 are affective, 90% or 95% or---?

10 ADAM ABFALL: I would say it's upwards of 98.

11 MARY QUILLEN: 98%.

12 ADAM ABFALL: Almost the failure rate of them is---.

13 MARY QUILLEN: So, it's very---.

14 ADAM ABFALL: ---very...we've drilled a hundred---.

15 JOE MORRIS: Over a hundred and thirty wells with very few failures.

16 ADAM ABFALL: ---and thirty some holes...hundred and forty wells

17 now and we've seen two.

18 MARY QUILLEN: It's very high.

19 ADAM ABFALL: It's 99 and some change.

20 MARY QUILLEN: That is kind of young.

21 ADAM ABFALL: Yeah, it's a very high percentage.

22 MARY QUILLEN: And (inaudible) you didn't---?

23 ADAM ABFALL: That's right.

24 MARY QUILLEN: ---anticipate?

1 ADAM ABFALL: That's correct.

2 MARY QUILLEN: Was it...would pressure have something to do with--

3 -?

4 ADAM ABFALL: It shouldn't.

5 MARY QUILLEN: ---that?

6 ADAM ABFALL: They should have the integrity for the full 5,000

7 pounds---.

8 MARY QUILLEN: So, you don't think that there was a limit on what

9 they...what level of pressure---?

10 ADAM ABFALL: The larger the bore that you have in your well as far

11 as a washout and stuff---.

12 MARY QUILLEN: Yeah. It---.

13 ADAM ABFALL: ---the pressure capability of the packers does reduce,

14 obviously. But for our applications, they should be able to handle our full frac

15 pressures.

16 MARY QUILLEN: So, you're reducing this only to a...did you say four

17 and a half inch rather than a seven inch?

18 ADAM ABFALL: The wellbore would be six and a quarter, hopefully.

19 MARY QUILLEN: Six and a quarter.

20 ADAM ABFALL: If was persay washed out from long term drilling or

21 rotational time or something like that, we would have a hole instead of being...I

22 guess the best to explain it they're not gun barrels. They're not completely smooth.

23 MARY QUILLEN: Right.

24 ADAM ABFALL: We've got lots of irregularities in between from the

1 changes---.

2 MARY QUILLEN: Right.

3 ADAM ABFALL: ---in the rock and everything else. So, if we spot
4 where let's says we've never drilled six and a quarter, but now it's six and three-
5 quarter and that's when that packer gets set it doesn't have the same sealing
6 capabilities that it would in the coal---.

7 MARY QUILLEN: Right.

8 ADAM ABFALL: ---in the original spec. As that gets bigger and
9 bigger---.

10 MARY QUILLEN: And you have no way of knowing when you drill of
11 what...what's actually going to be there? What---?

12 ADAM ABFALL: That's right.

13 MARY QUILLEN: ---variation in the---?

14 ADAM ABFALL: Correct. We've run same caliber logs on some
15 different wells and Joe is a lot more knowledgeable on the results of some of those.
16 But we've run some caliber logs down through some of the field sections through
17 the curve of our wells to try to see that exactly because in total you have that
18 especially dozens of times up through the packers actually sealed. The more caliber
19 logs, we do see that the wells are within the spec of the packers. These are very
20 expensive. We're not going to put a bunch of them in the ground unless we know
21 they're doing their job.

22 MARY QUILLEN: Right.

23 ADAM ABFALL: There has been lots of investigation internally into
24 that.

--

1 BENNY WAMPLER: Okay.

2 BOB WILSON: Excuse me.

3 BENNY WAMPLER: Go ahead.

4 BOB WILSON: I'm I understanding correctly that you're going to be

5 running an extra packer in on your four and a half and then cementing down the

6 backside of the four and a half on top of that packer---?

7 ADAM ABFALL: Yes, sir.

8 BOB WILSON: ---from the surface?

9 ADAM ABFALL: Yes, sir.

10 BOB WILSON: Do you think you can get a decent cement job on the

11 backside of four and a half and six and a three-quarter hole at that depth?

12 ADAM ABFALL: Yes, sir. We've got...we can probably back that up

13 for you from some Kentucky Bond logs if we need to. Like I said, it's a real

14 common practice for us on our multi...like four well pads where we want to isolate

15 and maybe we want to produce from one intermediate zone and the other three we

16 have to do that to. So, what we do is we have a procedure where we'll take maybe

17 a one barrel flush of fresh water, we dump our slurry volume and then about a two

18 barrel flush in behind that and then we run the bond log in there to make sure that

19 we do have the isolation on that.

20 BOB WILSON: You're not getting bridging or anything of the sort that

21 you have to worry about?

22 ADAM ABFALL: No, everything has been coming out... they've been

23 coming out very good for us.

24 BOB WILSON: Okay. Another question---.

1 ADAM ABFALL: We maybe had one...one incident---

2 BOB WILSON: Excuse me.

3 ADAM ABFALL: ---where we had to go back in where the cement
4 maybe was washed out and the cement wasn't quite up as high as the one particular
5 adjacent well. We had to go back in and do another application of the slurry dump
6 just so we achieved our height in the seven inch that weren't 200 feet. But for the
7 most part they've been working out very well for us.

8 BOB WILSON: And that's covering the Berea? You're going cover
9 the Berea with that?

10 ADAM ABFALL: Yes.

11 BOB WILSON: We had, again, just in way of comment, been
12 considering the possibility of requiring that you run casing from surface over the
13 Berea and extend the seven inch or whatever else you come up with in order to
14 protect that because, of course, one of the things that we're not concerned with here
15 that we will be in other places is the correlative...are the correlative rights issues
16 involved with wells that are already producing in areas where you have multiple
17 owners, which we don't have here, granting that to start with. We don't have that
18 problem here. But we had looked at the separation between the Berea and the
19 Huron. As a matter of a fact, I asked Jerry last month about separation to where
20 he's drilling with thoughts toward possibly requiring casing be run across that
21 probably the seven inch from surface and cemented back during the drilling process.
22 What would be your thoughts of that? Do you have sufficient separation between
23 those two horizons to build your curve? Is there an excessive expense differential
24 with doing that?

--

1 ADAM ABFALL: In your handout, there is a well diagram to address
2 that particular situation. That is showing on the...in fact, the last two pages of the
3 handout. One is showing like a complete well with the seven inch and one is
4 showing like a vertical section of...vertical diagram showing the seven inch run
5 through the Berea. You know, currently our systems are being runned with a 100
6 feet of the seven inch set in the big line. For our current system what that is doing
7 that's isolating any kind of water bore to protect our protection so that we can do
8 what we need to do down here. To isolate the Berea, we can run the seven inch
9 down through there but it's going to create one hiccup for us from a drilling
10 standpoint. What that does that moves that kickoff point for starting our build into
11 that curve further down...that much further down to that...instead of...when start that
12 build section we build...we build out to 90 degrees, right, or 92 or somewhere in
13 there? We build 10 degrees per 100 feet drilled in our normal...normal well setups.
14 If we were to case through that Berea, we would have to drill at 13 degree per 100.
15 What that does, that puts a lot more stress into that particular section of the well.
16 And it's...once again, it's not a...it's not cookie cutter. Every 100 feet isn't going to
17 be 13. We're going to have sections in there where we don't quite get it and then
18 we have to make up for it. We have to make up for it, all of sudden that building
19 get more severe, say 15 or 16, and that's where we start having problems where we
20 may not be able to reach the end of our wells because we cannot no longer control
21 the strain from the string binding in that severe of a build. So, it could potentially
22 limit us from reaching our targeted depths. It could also from my standpoint the
23 biggest fear is not being able to get our four and a half completions in, we can
24 maybe drill the well, get to TD and get out and then that four and a half in there with

1 these packers and frac port assemblies sections are pretty ridged. They don't like
2 anything anymore than about a 15 or 16 degree dog leg. When you put several of
3 them in there, they really have a hard time getting in the ground. So, I think we
4 would start to see ourselves struggle to reach our end goal of getting these packers
5 and frac wells exactly where they're designed to be. I'm telling you that we can't do
6 it. It's going to make it more difficult to do it. I would much rather see us go the
7 other route and do it that way.

8 BOB WILSON: Well, we're looking for a solution that's not going to
9 endanger your operations.

10 ADAM ABFALL: Right. The solution that we've showed here, I think
11 could even exceed the barrier protection potential...exceed or be just as good as the
12 seven inch through the Berea with the packer set in the cement. If we did run the
13 cement all the way down, our next...our next weak link in the system is going to be
14 at the shoe anyway on that seven inch. In this particular situation, we've got a
15 higher grade of pipe which is our four and a half and a longer section of cement that
16 are equivalent to almost what this is set below that into that zone. I think it would
17 actually be just as good integrity wise as running the seven inch through and not
18 create any more difficulties to our operations from a drilling prospective and
19 completion setup.

20 BENNY WAMPLER: Jerry, do you have any questions or comments?

21 JERRY GRANTHAM: Well, first off, I would like to say I think
22 Equitable is tooted their horn enough here, but they've been a real leader in the
23 packers success and technology. A lot of the work that they've done in Kentucky,
24 and I don't want to speak for them, but has really been work that has been sort of

1 followed around the country in some other plays. So, they're familiar with this
2 system. I think by my limited knowledge, I know they've tried a lot of different
3 things. At the end of the day, this is the most successful system by far. I'm I
4 speaking correctly?

5 ADAM ABFALL: That's correct. We've---.

6 JERRY GRANTHAM: And they also didn't sort of toot their horn on
7 their success rate. I think actually running the system, you know, the majority they're
8 drilling has been Kentucky and that's certainly adjacent to us here, but they've been
9 very successful with the system. That being said, that's...in our well here in Virginia,
10 we went in and just emulated what they do in Kentucky and it worked very well. I'm
11 going...would like to present some data on our original well that we drilled after that.
12 I think they've very knowledgeable of what the alternatives are. I think this...from
13 what we see and what we would like to do going forward is this is the system that
14 we think makes the most sense and certainly protects the frac...it keeps the frac
15 down to where we want, which at least in this case is down in the Lower Huron. I
16 think this solution would be more of maybe down squeeze or put some of the cement
17 down the backside to protect that along with that double packer system should really,
18 you know, give you the insurance that you're going to get back.

19 BENNY WAMPLER: Well, we appreciate it very much, Joe.

20 BRUCE PRATHER: I'll tell you my experience with what you're doing
21 there is that normally if you build nitrogen in the hole and you've only got 200 or
22 300 feet outside your pipe, I've always been to the conclusion that if you've got 600
23 feet you're not going to have that nitrogen come back around the backside of that
24 cement even if you put 5,000 pounds on it. The 5,000 pounds is what, you know,

--

1 caused it to go up hole. There's no doubt about that.

2 ADAM ABFALL: I imagine that's about 2300 and some change or
3 2400.

4 BRUCE PRATHER: Yeah.

5 ADAM ABFALL: We didn't even get to that...the---.

6 BRUCE PRATHER: Yeah.

7 ADAM ABFALL: ---one that we were supposed to see 4300.

8 BRUCE PRATHER: But I've always been of the conclusion that, you
9 know, if you've got 600 foot of cement up there you're not going to yo yo that
10 cement job with pressure. I have done it at 300 pound or 300 feet of cement.

11 ADAM ABFALL: Yeah, I think this give us plenty of barrier. The
12 distance actually...the distance actually to the Berea and this particular would be
13 approximately 600 feet.

14 BRUCE PRATHER: Yeah.

15 ADAM ABFALL: Well to well is going to be different. We can pump it
16 safely say 500 to 600 as an average---.

17 BRUCE PRATHER: Okay.

18 ADAM ABFALL: ---just for the Berea isolation. Then from there to
19 the seven inch we're looking at probably somewhere 1600 to 2000 feet. I mean,
20 there's going to be, like I said, just as much integrity in the barrier here as there is
21 almost in our seven inch if we run that all the way through our Berea.

22 BENNY WAMPLER: Thank you very much. We're going to take
23 ten...a quick ten and back to hear Range Resources. Thank you so much.

24 (Break.)

1 BENNY WAMPLER: I'm going to skip around so leave me a seat. I'm
2 going to let this young lady come up and say a...the public comment period, I'm
3 going to open it right now. She has patiently waited all day. I'm going to let her
4 have her say. Tell them to get in here. Mary, get in here.

5 (Off record.)

6 BENNY WAMPLER: Okay, we're on record. Go ahead and state your
7 name for the record and just tell us what's on your mind.

8 CATHERINE JEWELL: All right. Thank you for letting me up earlier.
9 My name is Catherine Jewell and I'm speaking on behalf of Buck Jewell Resources.
10 Buck Jewell Resources owns several properties in Buchanan County. Portions of
11 these properties lie within the pooling area of CNX/Consol's gas well. CNX has
12 never attempted to obtain a gas lease for these tracts, okay. Buck Jewell has been
13 paid royalties as a non-participating member. The only difference with paying...being
14 paid as participating versus non-participating is the one dollar or five dollar per
15 mineral acre owned difference, okay. Whether one decides to participate or not, the
16 Board allows for the following royalty payments: A royalty of one-eighth of eight-
17 eighths of the net proceeds received by the unit operator for the sale of gas from
18 units multiplied by the person's interest in the unit or proportional share of said
19 production. Net proceeds shall be actual proceeds received less post production
20 costs incurred down stream of the well head including but not limited to gathering,
21 compression, treating, transportation, marketing costs whether performed by the unit
22 operator or a third person as fair, reasonable and equitable compensation to be paid
23 to said gas owner or claimants.

24 Recently, I looked at an application for force pooling that was before
--

1 the Virginia Oil and Gas Conservation Board in 1999. I noted the royalty
2 considerations had changed considerably. In this 1989 application, a cash bonus of
3 five dollars per net mineral acre was offered and a royalty of one-eighths of eight-
4 eighths of the gas produced at the wellhead free and clear of all costs and expenses
5 incurred. I don't know when the language changed or why. It is my understanding,
6 which could be wrong, that the Board has the authority to determine the language of
7 the allocated royalties in situations of force pooling. If this is the case, then I'm at a
8 loss to understand why the Board changed the language of the standard royalty
9 clause to give the operator cart blanche in determining what he can deduct as a
10 reasonable expense. For seven wells in which Buck Jewell Resources has pooling
11 interest in, CNX paid royalties of one-eighth, which they deducted anywhere from 22
12 to 45% from...for transportation and taxes. 22 to 45% were deducted.

13

14 Also interesting is the comparison of the selling price reported on the
15 statement with the TCO index price. In 2001 and 2002, the selling price reported
16 on the statement averaged 20 cents per mmbtu less than the TCO index. In 2003,
17 it was \$1.19 less. In 2004, it was...in 2003, it was \$1.19 less. In 2004, it was 90
18 cents less. In 2005, the selling price was \$2.00...the average selling price was
19 \$2.48 less than the TCO index. In 2006, it was 58 cents less. Now, the TCO
20 index usually runs lower than the Dominion price line...pipeline. I don't know what
21 accounted for these wide discrepancies in price, but to me it looks like the
22 deductions were being made from the selling price in addition to accounting for
23 deductions on the statement. I'm aware of one other company that actually does
24 this. In other words, the selling price is where they do the deductions. On your

--

1 statement, you won't see anything taken off for transportation, for taxes or anything if
2 you have free from all costs. What they do is lower the price on the statement. In
3 2007, there was a considerable difference in the volume reported to DGO and that
4 reported on the statements. Around February, 2008, volumes originally reported to
5 DGO were changed. For some units, which I went back and calculated because our
6 statements shows mcf and mmbtu's...mcf's reported to the state. So, I went back
7 and calculated it, you know, what was the difference. Some of these well units there
8 was 6,000 mcfs per year difference. I believe that sometime the volume reported on
9 the statements was that of the selling price...selling point and not that at the
10 wellhead. So, you know, I don't know if there is any other company that has been
11 doing this. I think that's why they went back and changed it. So, they've
12 been...what they're paying for is at the selling point and not at the wellhead.
13 According to the Virginia Gas and Oil Act of 1991, one of the stated purposes of the
14 Board was to recognize and protect the rights of persons owning interest in gas oil
15 resources contained within a pool. I don't believe the current forced pooling
16 procedure adequately compensate owners without a lease. These are not high risk
17 wells. If they were, they wouldn't be so many permits for them...permit applications.
18 Through the calculations and it will probably amaze you the short period of time
19 needed for the applicant to recover his costs. I would like to see the Board switch
20 the royalty language back to the one-eighth at the wellhead, free from costs and at
21 arm's length negotiation for obvious reasons. There are many companies out there
22 offering much better lease conditions. Again, these are not high risk operations.
23 Currently, the unleased gas owner who is forced to be pooled, whose in force
24 pooling, has little impact on the Board's decision to grant force pooling. The least

1 this Board could do is to ensure that they are paid Equitably for the gas under their
2 force pooled portion. That's something... that's my comment. Thank you.

3 BENNY WAMPLER: Thank you. We appreciate it very much. It will
4 give us something to ask some questions on the next time they're before us. Okay,
5 I'd already started calling the Range Resource-Pine Mountain, Inc., docket number
6 VGOB-08-0318-2185. The parties wishing to address the Board in this matter to
7 come forward at this time.

8 JIM KAISER: Mr. Chairman, Jim Kaiser, Jerry Grantham and Phil
9 Horn on behalf of Range Resources-Pine Mountain. Before we get into the four
10 applications that we have before you today to establish the provisional units for
11 horizontal conventional wells. Mr. Grantham would like to make a presentation and
12 update the Board on what they have experienced from the first horizontal well that
13 they completed in Virginia.

14 BENNY WAMPLER: Phil, have you been sworn?

15 (No audible response.)

16 BENNY WAMPLER: We'll go ahead and get you...get him sworn in.
17 Jerry has been sworn in.

18 (Phil Horn was duly sworn.)

19 JERRY GRANTHAM: What we wanted to do here first was sort of go
20 backwards and talk a little bit about our first well here in Virginia, which as you all
21 well know is the first horizontal shale well drilled in the state. Equitable then drilled
22 the one that they discussed previous to this. But we wanted to sort of give you an
23 update. Mr. Wilson had requested some more information. So, we felt like now was
24 the time. We've got about four months...three and a half months of production on

--

1 the well. It has been about six months since we've drilled it. As the Board well
2 knows, we've got plans to drill additional wells because we've been in front of you
3 several times over the past few months. We'd sort of like to talk about the overall
4 thought process of what we want to do here in Virginia, how it relates to one well,
5 which again we have to remember is one well, but it is probably the one data point
6 that we do have and sort of where we think all of this is going as far as our
7 development program for the year and that type of thing.

8 So, the first page is basically a map sort of showing everybody where
9 we are and because this play really originated in Kentucky we felt it was important to
10 sort of show you that part of it too, the Big Sandy Shale, which as Bruce knows,
11 that's probably one of the older fields in the Appalachian Basin and it has been
12 producing out of the shale since the turn of the century. Equitable in the last year
13 and a half has demonstrated that horizontally drilling in that area in southern West
14 Virginia and I'm not giving you anything proprietary. It's out there. They've released
15 it. Some information on their well is not, specifics, but overall that they think it's a
16 commercial adventure and that they drilled over a hundred wells in that area so far
17 and they're drilling very aggressively now. Our thought was to come in and try and
18 extend that play down into Virginia because we felt like the shales were very similar
19 between Kentucky and Virginia. We felt like the potential was down here also. So,
20 the first slide shows sort of a relationship to Kentucky. The little red squares are
21 both units that the Board has approved to date for Range only. This doesn't include
22 any of the other operators as Mr. Wilson's exhibit did. Then the four that we are
23 going to be proposing today. So, we sort of wanted to give you the overall picture of
24 what we were trying to do here.

--

1 If we go to the next page, this is just a cross section of what the
2 Lower Huron looks like in logs. Sort of trying to show a couple of things here. It's
3 about 200 feet thick in both Kentucky and Virginia. The well on the lefthand side
4 over in Big Sandy and the two wells on the right are the...the one to the far right is
5 actually where we drilled...began drilling our horizontal. The one in the middle is sort
6 of where we ended up...or a well that we ended up next to. Sort we're sort of trying
7 to show how the shales are pretty uniformed. The Lower Huron is a very organic
8 shale. That's why it's real dark on that first curve. That's called a gamma-ray,
9 which measures radio activity. But probably more importantly, it measures organic
10 material. So, that's really what this is all about, the organic material made the gas
11 that's there. In fact, a lot of people believe that all the gas sort of above the shale
12 all through the conventional section, not including the coalbed methane gas, probably
13 originated from this one shale or these hot shales. We've always known the gas
14 was there. We've never known how to get it. The DOE did work back in the '80s
15 talking about how much gas there was in the Appalachian Basin and these shales
16 and we've always struggled with how...it's probably there, but how do we get it out.
17 we think this horizontal drilling is probably how we're going to get it out. So, that's
18 what I'm trying to demonstrate here.

19 The next slide is actually a blurry slide. It's...your eyes aren't bad. It
20 didn't scan very well. But it's from one of those early DOE studies. The reason I
21 put this in here was because it shows the trends in and one of the reasons that we
22 drill the way we want to drill these wells. The basic trend is that anybody who
23 knows by looking at the mountain ranges in Virginia is north, east, south and west.
24 All our mountains trend. In fact, all the mountains virtually in the Appalachian Basin

1 trend that way. There's a reason for that. The geology that we see underground is
2 very similar to that too. So, the trends that way represent different directions of
3 stress and strain. So, what we do is we predict what the we think the direction of
4 less stress is and that's this north, east, south and west, trending just like the
5 mountains. When we drill the horizontal, we want to be perpendicular to that
6 because what we want to do is intercept those fractures that we think are developed
7 along that plain.

8 So, if we go to the next page, this is the original unit that we drilled,
9 the 530033. It shows you the orientation of the horizontal. Then the two just to the
10 south of that are two that the Board has already approved but we have not yet
11 drilled. Again, what we're trying to do here is make sure this isn't a one well wonder
12 and that, you know, we can go and develop some offsets. But the important thing
13 on this exhibit is to note that the orientation...the preferred orientation at least as we
14 understand it now is from southeast to northwest. I think that's being duplicated in
15 other areas outside of Virginia is that that's the preferred orientation for drilling at this
16 point. If the two wells that were in the cross section or the 530033 and then this is
17 a vertical well that's drilled in the unit 537557. Both of these wells are completed in
18 that Huron Shale.

19 This is an actual schematic of what we did in drilling the horizontal.
20 The green represents the Lower Huron level from top to bottom. It's about 200 feet
21 thick. As Adam showed us from Equitable, we went in and we built the curve. We
22 landed it, as we call it, in the shale and then we drilled through the shale. You can
23 see out at the end, which is on the right hand side, the northwest side of the...it
24 would be on the northwest, we actually TD the well stratigraphically lower in the shale

1 than we began. We were trying to do that. We were trying to do that. We really
2 want to intercept as much interval stratigraphically of that whole shale interval. Then as
3 Adam told us in his presentation, what we do is because now instead of having 200
4 feet that we've penetrated vertically, we got 2,000 feet or in this case 3,000 feet of
5 shale. We can't go in and stimulate that all at once. We break that into pieces of
6 the packers that he talks about. Each piece we have 3500 feet. We can get nine
7 sections in there. So, we get about 400 feet per packer. So, we break it into
8 pieces and then we frac each one separately. That's what we did in this roll. We
9 actually didn't have nine, but we had seven different stages here.

10 Our treatment went very well. We saw similar pressures to what they
11 saw, which is treating pressures in the 4,500 to 5,000 range. We think our frac
12 stayed in zone. We don't see that as an issue. Actually, I've added the monthly
13 production on the offset well, which is the next slide. From that, we think we had no
14 issues with affecting the offset well. We were well over 600 feet, which is the
15 distance that has been approved in our preliminary unit. The well was fraced on, I
16 believe, it was the 21st or 22nd of November. So, you can sort of see...I should
17 have marked that on here, but you can see where that was. We don't see any
18 adverse affect on the offset. Now, this on monthlies. We went back and looked at
19 the dailies just see what it did. We did actually see a slight increase in the
20 production on this offset well for one day when we fraced the well. Now, did we
21 communicate it with the well? We certainly saw an affect from the frac. My thought
22 on this is there was no long term affect. Both...both wells are in the Huron, but what
23 we saw was probably that pressure wave of that frac pushing some gas over to that
24 well for a very short period of time. But at the end of the day, and we monitored

1 this production on a monthly basis, we've seen no negative effect. We don't think
2 we're infringing on that well.

3 The next exhibit shows in dark green the units that the Board has
4 currently approved. Again, I've talked about at least Range's goals here in Virginia
5 are to drill a minimum of ten of these horizontals to test the concept. We've
6 now...we have eight approved by the Board. We have four in front of you today.
7 We have a lot of considerations when we put these units together. I mean, we don't
8 just go put a square on the map. I mean, we talk about issues like, you know, do
9 the units fit together with other units? Some of the issues that we deal with are on
10 the page. You know, geology should be number one because at the end of the day
11 we want to be drilling these in the best spot that we possibly can. But sometimes
12 issues like coal issues, surface issues, you know, land issues, what do we own or
13 don't own, whether we control a 100%? How do we orient these wells? All of these
14 weigh into how do this? So, at the end of the day, we're going to...you know,
15 hopefully, at the end of the year I have ten of these done or maybe more and
16 hopefully have a better handle on, you know, is this a viable project in Virginia. I
17 think right now I would characterize our well...Range's well as a success, but that's
18 one well so far. So, I think we certainly need to test the property. That's the
19 concept behind sort of this distribution because really if you look at our property, and
20 we didn't put it on this map, but that's an outline of Dickenson County. We're the
21 largest mineral owner in Dickenson County. Our acreage spills into Wise, Russell
22 and Buchanan just outside of this and we're trying to really evaluate the whole thing.

23 BOB WILSON: Jerry, you've used about 550 feet... vertical feet to
24 build your curve. Do you consider that to be adequate, exceptional or one way or

--

1 the other or---?

2 JERRY GRANTHAM: If I'm at 150 feet we'd building at approximately
3 10 degrees per hundred. So, as Adam discussed, that's sort of an optimal build if
4 we start building the angle much more aggressive than that. We find that it may
5 impede how far we can drill or probably more importantly getting that packer system
6 in the hole. But 550 to 600 feet is probably a standard build for us.

7 BENNY WAMPLER: So, would you have the same reaction as he did
8 regarding the ability to leave it open hole and cement up on the sides like he talked
9 about outside the four and a half inch casing versus restriction---?

10 JERRY GRANTHAM: I think our preference would be to run the seven
11 inch not through the Berea, but to run it to I think what we're also looking at is
12 through the Big Lime and then do a squeeze on the backside of that Berea. I know
13 they've had discussions with them and what Adam was saying they've had a fair
14 success and they think they've gotten good...they've run some mine logs and it
15 seemed pretty good cement on the backside of that.

16 BOB WILSON: You're saying squeeze the four and a half?

17 JERRY GRANTHAM: Yes.

18 BOB WILSON: Yeah, above packer.

19 JERRY GRANTHAM: Basically, do a block squeeze down the
20 backside, yeah. Not squeeze it through the four and a half.

21 BOB WILSON: Oh, okay. Okay, okay, okay.

22 JERRY GRANTHAM: Yeah. There is just---.

23 BOB WILSON: You're talking about going down the backside?

24 JERRY GRANTHAM: Correct.

--

1 JIM KAISER: Mr. Chairman, with your permission, we'd like to go
2 ahead and consolidate items number thirty-two through thirty-five if we might.

3 BENNY WAMPLER: The same type of hole for each
4 one---

5 JIM KAISER: Sir?

6 BENNY WAMPLER: The same well. I'm just telling the Board the
7 same type of well that we just discussed.

8 JIM KAISER: Yeah, we're just forming the units in order to drill the
9 wells.

10 BENNY WAMPLER: So, I'll go ahead and call the VGOB-08-0318-
11 2186 and 08-0318-2187 and 08-0318-2188. We'd ask the parties that wish to
12 address the Board in these matters to come forward at this time.

13 JIM KAISER: Mr. Chairman, it will be Jim Kaiser, Phil Horn and Jerry
14 Grantham for Range Resources-Pine Mountain. Mr. Grantham will pass out a
15 another set of exhibits.

16 BENNY WAMPLER: The record will show there are no others. You
17 may proceed when he gets ready.

18 JIM KAISER: We'll start with Mr. Horn.

19

20

21

22 PHIL HORN

23 DIRECT EXAMINATION

24 QUESTIONS BY MR. KAISER:

1 Q. Mr. Horn, does Range Resources-Pine Mountain control,
2 owned and/or have leased all of the acreage, that being 320-acres in each of these
3 four units?

4 A. Yes. Range Resources-Pine Mountain, Inc. owes 100% of
5 the oil and gas inside of all four of these units.

6 Q. And has Range Resources notified all additional oil, gas or
7 coal owners within each of these four units, that being Dickenson Russell Coal, Alpha
8 Land and Reserves, LLC, WBRD, LLC, ACIN, LLC and Equitable Production
9 Company in each of these four units?

10 A. Yes, that's correct.

11 Q. Was that notification by certified mail, return receipt
12 requested?

13 A. Yes, it was.

14 JIM KAISER: Nothing further of this witness, Mr. Chairman.

15 BENNY WAMPLER: Questions from members of the Board?

16 (No audible response.)

17 BENNY WAMPLER: Call your next witness.

18

19

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22

23

24 JERRY GRANTHAM

--

1 DIRECT EXAMINATION

2 QUESTIONS BY MR. KAISER:

3 Q. Mr. Grantham, if you would, again, for the Board go through
4 your set of exhibits that you just passed out and if you need to distinguish between
5 the four units go ahead, but I don't...it probably won't be necessary.

6 A. I will on Exhibit F, which---.

7 Q. On that, yeah.

8
9 A. ---is specific to each unit. But, again, Exhibit C is the
10 proposal that you have seen in the past from Range Resources for a 320-acre
11 horizontal unit to drill conventional wells...horizontal conventional wells. That gives
12 the dimensions of the 320-acre unit and the length of the lateral within the interior
13 grid, which is 4431. This distance is difference than what we've shown in the past,
14 which was 5280, which went from corner to corner because this probably more
15 accurately reflects what could be potentially drilled within the unit as effective
16 wellbore. The proposal is sort of outlined on Exhibit D, which is the next page. Of
17 course, it's a 320-acre unit, as we've said. We're proposing a 300 foot exterior
18 window frame that we cannot produce from in the horizontal. Also, that we have a
19 600 foot standoff from any adjacent grid horizontal wellbores. So, in other words,
20 we can't produce anything within that 300 foot window frame. We propose that we
21 can drill a well. The vertical portion about the curve either in the window frame or
22 even outside the unit. We've talked about this before because at the end of the day
23 what we really want to do is maximize the amount of horizontal that we can produce
24 in the unit. I'd love to tell you we can go drill 4431 as the lateral part. That would

--

1 mean we would be achieving almost 5,000 feet total because, again as Mr. Wilson
2 said, it's about a 550 to 600 foot build. We certainly aren't there. I don't believe
3 Equitable is, but I don't want to speak for them. But in other parts of the country,
4 they are getting those types of extensions. So, I think this unit is appropriate
5 because it gives room to, you know, build on what we've done. We've achieved
6 roughly about 2800 or 2900 of lateral, 3500 feet total. So, you know, that 4,000
7 feet is probably dueable, but it's probably something that we'll do later on and
8 hopefully work towards. The unit would allow for a 600 foot distance between any
9 horizontal wellbore and any vertical wellbore that's producing from the same horizon.
10 In other words, we couldn't drill any closer to that wellbore than 600 feet. It would
11 allow for multiple wellbores so that we could go in and develop multiple laterals either
12 within a certain horizon, which we think down the road will probably be necessary.
13 We don't think that one lateral through the 320 can effectively drain the shale, but
14 we don't know that yet. Also, we could do multiple laterals in other conventional
15 horizons only. This is nothing to do with the coalbed...the shallow coalbed methane
16 reservoirs. We can't drill in those. Then, I've already discussed the ability to have a
17 surface location that's either in the window frame or outside of the unit altogether.

18 This is a new exhibit. You've seen one similar to this, but we've
19 updated. We've shown on setting that seven inch all the way through the Big Lime,
20 which I think will become a matter of course for us assuming, you know, we go with
21 the packer system and then dump squeezing or squeezing cement onto the top of
22 the Berea. But it does allow us to be able to have some flexibility to go in that
23 curve. So, again, the casing design up the hole is identical to any vertical well. We
24 don't...we aren't doing anything differently with the surface casing and the

1 groundwater protection stream, the coal streams or any of that and there's no
2 directional work that's being done in those horizons.

3 Then, Exhibit F, is the exhibit for each individual petition. Let me
4 make sure I've got...these are in the right order. The first one, okay, is for...is
5 number thirty-two, which would be VGOB-2185. What we've done here, as a
6 request by the Board, we've not only shown the unit, which is the...I guess the center
7 box. There are three boxes here. The center, the one in the middle, the dashed
8 line would be the 300 foot window. The one just outside of that is actually the unit
9 boundary. Then the box that makes up all of the yellow shows an area that's 1250
10 feet outside of the 300 foot window. We were requested by the Board to show that
11 and who had the ownership of that acreage. Yellow on this map represents acreage
12 that's owned or controlled by Range Resources and our partners Equitable. So, we
13 own all of the acreage...own or control all of the acreage in the unit and within that
14 buffer area around it. Just to let you know, we've put all of the wells on this
15 exhibit...in all of these exhibits. Any well that says VC on it is a coalbed methane
16 well. So, it's producing from a horizon above any of these other ones. So, we've
17 shown them on here, but they really aren't relevant to the conventional production.

18 The next Exhibit F, we should probably have this Exhibit F-1 or Exhibit
19 F-2, but the next Exhibit F then is for VGOB-2186. Again, it's the exact same
20 format. We've shown the buffer area around the unit. Again, we own or control all
21 of that.

22 BENNY WAMPLER: Let's go with F-2 on that, if you don't care, and
23 then 3, 4, etcetera.

24 A. Okay. The third F-3 would be VGOB-2187. Again, we own

1 or control all of the acreage in that unit and the surrounding buffer area.

2 Then, Exhibit F-4 is VGOB-2188. We own or control all of the
3 acreage around that except for this hatched acreage at the bottom, which is a force
4 pool. It is...we identified that separately because it's controlled through a force
5 pooling of a well, but we don't own it or control it through a lease, but it is not in our
6 unit. It's in the area outside of the unit.

7 BRUCE PRATHER: Could you unitize it with this?

8 JERRY GRANTHAM: Well, I think probably...part of this, if I'm not
9 mistake is leased, is that correct, Phil?

10 PHIL HORN: It's an heirship and one of the heirs signed a lease and
11 the remaining heirs were force pooled for the well that you see 536764. We
12 wouldn't encounter this until we drilled a south offset for this unit.

13 BRUCE PRATHER: Okay.

14 A. And then at that point, I believe what we would do would be
15 is to force pool the heirs in that unit. In summary, the benefits of horizontal drilling
16 certainly, you know, we think it's a viable way to develop these conventional
17 horizons. We have spud our second well, which is 530008 earlier this week or last
18 week and we're drilling ahead on the vertical portion of that well. We certainly think
19 it benefits the royalty owners by extracting more gas and conserving the gas
20 resource in the state hopefully by maximizing the production. The laterals can be
21 drilled in areas that probably we couldn't get vertical wells. So, we think as a benefit
22 from the surface and environmental standpoint and also the coal owners were in
23 theory putting less soda straws through the coal or clumping them into clusters.
24 Then ultimately, with a square unit design we don't have any stranded acreage as

1 we've seen with other conventional wells.

2 BENNY WAMPLER: Questions from members of the Board of this
3 witness?

4 (No audible response.)

5 BENNY WAMPLER: Do you have anything further?

6 JIM KAISER: We'd ask that the four applications be approved as
7 submitted, Mr. Chairman.

8 BENNY WAMPLER: Is there a motion?

9 MARY QUILLEN: Motion to approve.

10 BRUCE PRATHER: Second.

11 BENNY WAMPLER: Second. Any further discussions?

12 (No audible response.)

13 BENNY WAMPLER: All in favor, signify by saying yes.

14 (All members signify by saying yes.)

15 BENNY WAMPLER: Opposed, say no.

16 (No audible response.)

17 BENNY WAMPLER: You have approval. Thank you.

18 JERRY GRANTHAM: Thank you.

19 PHIL HORN: Thank you.

20 BOB WILSON: Mr. Chairman.

21 BENNY WAMPLER: Mr. Wilson.

22 BOB WILSON: I need three more copies of this if anybody is not
23 going to save it or take it home with them. I need it for files...I need two more
24 copies of this.

1 JIM KAISER: You can give him one...do you got some more?

2 JERRY GRANTHAM: Yeah, I've got them.

3 BENNY WAMPLER: Well, you can have one here. Which one, this?

4 JERRY GRANTHAM: The main one for each file, right?

5 BOB WILSON: Yes. I need one for each of my files, yes.

6 JERRY GRANTHAM: We can...I think we can print another one.

7 BOB WILSON: Thank you. We're good.

8 BENNY WAMPLER: All right. Next is a petition from Range
9 Resources, we're on thirty-six, Pine Mountain, Inc. for a well location exception for
10 proposed well V-536735, docket number VGOB-08-0318-2189. We'd ask the
11 parties that wish to address the Board in these matters to come forward at this time.

12 TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Range
13 Resources-Pine Mountain, Inc.

14 BENNY WAMPLER: The record will show no others. You may
15 proceed. They've both been sworn.

16

17 PHIL HORN

18 DIRECT EXAMINATION

19 QUESTIONS BY MR. SCOTT:

20 Q. Mr. Horn, would you please state your name for the record
21 and by whom you're employed and your job description?

22 A. My name is Phil Horn. I'm land manager for Range
23 Resources-Pine Mountain, Inc. I'm in charge of running the land department in this
24 district.

--

1 Q. So, you're familiar with this application?

2 A. Yes, I am.

3 Q. And did you also participate in the preparation of this

4 application?

5 A. Yes, I did.

6 Q. With regard to this particular application before the Board,

7 this is a request for a well location exception, is that correct?

8 A. That's correct.

9 Q. And then the next one that was...the next item on the docket

10 will be a pooling application creation of a drilling unit, is that right?

11 A. That's right.

12 Q. But it's the same well?

13 A. That's correct.

14 Q. Is that correct?

15 A. Yes.

16 Q. As to this particular unit, who owns the oil and gas

17 underlying this unit?

18 A. There is Barbara Lineberger owns 31.41%, David O'Quinn

19 owns .28%, Sharon Deel owns .55% and we own the H. H. Viers Heirs on 1.77%

20 and Range Resources-Pine Mountain, Inc. owns the rest of the interest in the unit.

21 Q. Now, you had just indicated that we have the

22 H. H. Viers Heirs, we have provided Mr. Wilson with proof of mailing, is that correct?

23 A. Yes.

24 Q. And we've...because we have unknowns in this unit, we've

1 also...how else was notice effected that this hearing would take place today?

2 A. By tele...it was notice of hearing published in the Bluefield
3 Daily Telegraph.

4 Q. Okay. And that was done on what date?

5 A. February the 21st of '08.

6 Q. Okay. Who operates well number 550309?

7 A. That's a well that we've permitted and we'll drill it and then
8 we'll turn it over to our partner Equitable to operate it.

9 Q. Okay. So, you've also participated in the operation of that
10 well, is that correct?

11 A. Yes.

12 Q. Okay. We've just indicated how this...the notice of this
13 hearing was effected. That's all the questions I have for Mr. Horn.

14 BENNY WAMPLER: Questions from members of the Board?

15 (No audible response.)

16 BENNY WAMPLER: Call your next witness.

17 TIM SCOTT: Okay, thank you.

18

19 JERRY GRANTHAM

20 DIRECT EXAMINATION

21 QUESTIONS BY MR. SCOTT:

22 Q. Mr. Grantham, would you please state your name and by
23 whom you're employed and your job description?

24 A. Jerry Grantham. I'm employed by Range Resources-Pine

--

1 Mountain and I'm vice president.

2 Q. Did you participate in the preparation of this application?

3 A. I did.

4 Q. And please explain to the Board why we're seeking the well

5 location exception in this hearing?

6 A. We're seeking a location exception for this well because

7 there is no other location that can be drilled within this unit.

8 Q. What is...now, you've provided the Board an Exhibit C, is that

9 correct?

10 A. Yes.

11 Q. And that depicts what this...how this is all going to play out,

12 is that correct?

13 A. Yes, that's correct. Exhibit C represents the location of

14 536735. The circle around it represents the 1250 foot radius, which is of course the

15 statewide spacing. There is an overlap between that and the well to the north. The

16 reason the well could not be...536735 could not be moved to the south is because

17 there is a creek just south of us. If we jump the creek, then we're on the other side

18 and we're infringing on actually well 6101, plus it's also a very steep area. So, the

19 main reason for this location exception is for environmental reasons.

20 Q. Okay. What's the proposed depth of this well?

21 A. This well is proposed to go to a depth of 5625.

22 Q. And what would be the potential loss of reserves if this

23 application is not granted?

24 A. It would be 250 million cubic feet of gas.

1 Q. And, then, please tell the Board why this application should
2 be approved?

3 A. It should be approved to prevent waste, protect correlative
4 rights and promote conservation of the resource.

5 TIM SCOTT: That's all the questions I have for Mr. Grantham.

6 BENNY WAMPLER: In the application, you said that 5518, is that
7 what you were---?

8 TIM SCOTT: That's correct. According to the AFE, which was
9 prepared...I'm sorry, Mr. Grantham...I'm testifying. I'm sorry.

10 BENNY WAMPLER: That's all right. We'll get you.

11 TIM SCOTT: Okay. I apologize. Retract all of that.

12 Q. At the time the application was prepared, the proposed depth
13 was 5518, is that correct?

14 A. Yes, that's correct.

15 Q. And we've determined that it's now 5620 feet, is that
16 correct?

17 A. Yes, that is also correct.

18 BENNY WAMPLER: Thank you. Other questions from members of
19 the Board?

20 (No audible response.)

21 BENNY WAMPLER: Do you have anything further?

22 TIM SCOTT: No, sir.

23 BENNY WAMPLER: Is there a motion?

24 MARY QUILLEN: Motion to approve.

~

1 PEGGY BARBAR AND BRUCE PRATHER: Second.

2 BENNY WAMPLER: Any further discussion?

3 (No audible response.)

4 BENNY WAMPLER: All in favor, signify by saying yes.

5 (All members signify by saying yes.)

6 BENNY WAMPLER: Opposed, say no.

7 (No audible response.)

8 BENNY WAMPLER: You have approval.

9 TIM SCOTT: Thank you.

10 BENNY WAMPLER: Next is a petition from Range Resources

11 for...Range Resources-Pine Mountain, Inc. for creation and pooling of conventional

12 drilling unit V-536735, docket number VGOB-08-0318-2190. We'd ask the parties

13 that wish to address the Board in this matter to come forward at this time.

14 TIM SCOTT: Tim Scott, Ian Landon and Phil Horn for Range

15 Resources-Pine Mountain, Inc.

16 (Ian Landon is duly sworn.)

17 BENNY WAMPLER: The record will show no others. You may

18 proceed.

19 TIM SCOTT: Thank you. Mr. Chairman, for the next four items, we'd

20 ask that Mr. Horn's testimony with regard to his employment and job description be

21 incorporated by reference, please.

22 BENNY WAMPLER: That will be incorporated.

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24 PHIL HORN

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DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, did you participate in this application now pending before the Board?

A. Yes, I did.

Q. And this particular unit is not subjected to any field rules, is that correct? It's subject to statewide spacing?

A. That's correct.

Q. So, we're asking the Board to establish a unit here, is that correct?

A. That's correct.

Q. What...how many acres does this unit contain?

A. 112.69.

Q. And you've previously testified in the prior hearing that Range Resources-Pine Mountain does have drilling rights in this unit, is that correct?

A. That's correct.

Q. Now, with regard to the parties who are listed on Exhibit B-3, are any of those parties to be dismissed from this hearing?

A. No, they're not.

Q. And who are those individuals?

A. Those are the unknown Heirs of H. H. Viers.

Q. Can you tell the Board exactly how you've attempted to locate these individuals?

A. Okay. In 1908, H. H. Viers sold Tract 5 to the plat to the

1 Dickenson County School Board and he reserved the coal, oil and gas. Then, the
2 surface has now since changed hands. It's not a school any longer. We tried to
3 locate the Heirs of H. H. Viers. The only lead we got in 1925 there was not a list of
4 Heirs or Will, but there appeared to be a partition of some of the surface that they
5 still owned in this area. They split the surface up and then the people sold their
6 shares of the surface and we've checked on the grounds and we've asked around
7 and this is near his own home place and they just kind of disappeared. I'm
8 assuming they moved away from here.

9 Q. Well, as far as determining who these people might be, in
10 this Chancery action, that file was missing from the office, was it not?

11 A. That's correct, yes.

12 Q. So, there's nothing that says---?

13 A. Right.

14 Q. ---these are the Heirs of H. H. Viers, we just have some
15 idea as to who they might be?

16 A. We just...we assumed that they were. Yeah, we don't know
17 for a fact that they were all of them. Some of the Heirs divided the property up and
18 split it up.

19 Q. So, back in that point, we have at least ten, is that right?

20 A. That's correct.

21 Q. Okay. As to notice of this hearing, how was that effected?

22 A. Well, we've...by certified mail the people we knew, but notice
23 was published in the Bluefield Daily Telegraph.

24 Q. Okay. Now, we've filed proof of publication with Mr. Wilson,

--

1 is that correct?

2 A. That's correct.

3 Q. And Range Resource is authorized to conduct business in the

4 Commonwealth?

5 A. That's correct.

6 Q. And there is a blanket bond on file, is that right?

7 A. That's right.

8 Q. If you were able to reach an agreement with the H. H. Viers

9 Heirs, what would be the terms that you would offer?

10 A. It would be five dollars per acre for a five year lease. It

11 provides for a one-eighth royalty.

12 Q. Is that a reasonable compensation for this area?

13 A. Yes, it is.

14 Q. What percentage of the oil and gas estate is Range

15 Resources-Pine Mountain attempting or seeking to pool here?

16 A. 1.77%.

17 Q. Now, we've indicated that we don't know who all of these

18 people are, is that right?

19 A. That's correct.

20 Q. So, we do have an escrow requirement?

21 A. That's correct.

22 Q. Has an Exhibit E been submitted?

23 A. Yes, it has.

24 Q. And which tract does it affect?

1 A. It's Tract 5.

2 Q. And what's the percentage in the unit?

3 A. 1.77 percent.

4 Q. Are you then seeking the Board to pool the unleased interest

5 on...shown on Exhibit B-3?

6 A. Yes, we are.

7 Q. And you're requesting that Pine...Range Resources-Pine

8 Mountain be named operator?

9 A. That's correct.

10 Q. And what should be the address that would be used by any

11 elections by the H. H. Viers Heirs?

12 A. It would be Range Resources-Pine Mountain, Inc., Attention:

13 Phil Horn, P. O. Box 2136, Abingdon, Virginia 24212.

14 Q. All communications should go to that address, is that right?

15 A. That's correct.

16 TIM SCOTT: That's all the questions I have for Mr. Horn.

17 BENNY WAMPLER: Questions from members of the Board?

18 (No audible response.)

19 BENNY WAMPLER: Call your next witness.

20 TIM SCOTT: Okay.

21

22 IAN LANDON

23 DIRECT EXAMINATION

24 QUESTIONS BY MR. SCOTT:

25

1 Q. Mr. Landon, would you please state your name and by whom
2 you're employed?

3 A. My name is Ian Landon. I'm operations manager for Range
4 Resources-Pine Mountain.

5 Q. Did you participate in this application...in the preparation of
6 the application?

7 A. Yes, I did.

8 Q. And what's the total depth of this well? I think Mr. Grantham
9 testified to that before. We'll just confirm that.

10 A. 5,620 feet.

11 Q. And what's the estimated reserve...what are the estimated
12 reserves for this unit?

13 A. 250 million cubic feet.

14 Q. You are familiar with the costs of this well?

15 A. Yes, I am.

16 Q. And what is the estimated dry hole costs?

17 A. \$259,010.

18 Q. And the estimated completed well costs?

19 A. \$498,811.

20 Q. Did you also participate in the preparation of the AFE?

21 A. Yes, I did.

22 Q. And does it include a reasonable charge for supervision?

23 A. Yes, it does.

24 Q. And in your opinion, would the granting of this application

1 promote conservation, prevent waste and protect correlative rights?

2 A. Yes.

3 TIM SCOTT: That's all the questions I have for Mr. Landon.

4 BENNY WAMPLER: Questions from members of the Board?

5 (No audible response.)

6 BENNY WAMPLER: Do you have anything further?

7 TIM SCOTT: No, sir.

8 BENNY WAMPLER: Is there a motion?

9 MARY QUILLEN: Motion to approve.

10 BRUCE PRATHER: Second.

11 BENNY WAMPLER: Any further discussions?

12 (No audible response.)

13 BENNY WAMPLER: All in favor, signify by saying yes.

14 (All members signify by saying yes.)

15 BENNY WAMPLER: Opposed, say no.

16 (No audible response.)

17 BENNY WAMPLER: You have approval.

18 TIM SCOTT: Thank you. Next is a petition from Range Resources-

19 Pine Mountain, Inc. for well location exception for proposed well V-530072, docket

20 number VGOB-08-0318-2191. We'd ask the parties that wish to address the Board

21 in this matter to come forward at this time.

22 TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Range

23 Resources-Pine Mountain, Inc.

24 BENNY WAMPLER: Thank you, sir. The record will show no others.

1 You may proceed.

2 TIM SCOTT: Mr. Horn...we'd ask that Mr. Horn and Mr. Grantham's
3 testimony with regard to their name, employment and job description be incorporated
4 by reference, please.

5 BENNY WAMPLER: That will be incorporated.

6 TIM SCOTT: Thank you.

7

8 PHIL HORN

9 DIRECT EXAMINATION

10 QUESTIONS BY MR. SCOTT:

11 Q. Mr. Horn, are you familiar with this application?

12 A. Yes, I am.

13 Q. And does...are you also familiar with the ownership within the
14 owners of this unit?

15 A. Yes, I am.

16 Q. And who is the...who are the owners of the oil and gas?

17 A. Range Resources-Pine Mountain, Inc. owns a 100% of the
18 oil and gas inside this unit.

19 Q. Who operates well numbers P-501, V-1913 and V-236?

20 A. Our partner, Equitable Production Company.

21 Q. And you also participate in the operation of those wells?

22 A. Yes, yes. We have an interest in those wells also.

23 Q. How was notice of this hearing provided to parties listed on
24 Exhibit B?

--

1 A. By certified mail.

2 Q. And we've provided proof of mailing to Mr. Wilson, is that
3 correct?

4 A. Yes, that's correct.

5 TIM SCOTT: That's all the questions I have for Mr. Horn.

6 BENNY WAMPLER: Questions from members of the Board?

7 (No audible response.)

8 BENNY WAMPLER: Call your next witness.

9

10 JERRY GRANTHAM

11 DIRECT EXAMINATION

12 QUESTIONS BY MR. SCOTT:

13 Q. Mr. Grantham, are you familiar with this application?

14 A. Yes, I am.

15 Q. Did you participate in the preparation of this application?

16 A. Yes, I did.

17 Q. Please explain to the Board why we're seeking a well
18 location exception for this particular well?

19 A. We're seeking an exception to drill well 530072 to prevent
20 the loss of stranded reserves.

21 Q. What...how much acreage would be stranded if this
22 application were not granted?

23 A. 67.87 acres.

24 Q. And that's depicted on the exhibit that you've provided to the

--

1 Board, is that correct?

2 A. That's correct. Exhibit C depicts the 1250 radius of the
3 circle. The area that's hatched in green represents the acreage that is currently not
4 in a producing unit.

5 Q. What is the proposed depth of this well?

6 A. 5736.

7 Q. And what would be the potential loss of reserves if this
8 application were not granted by the Board?

9 A. 400 million cubic feet of gas.

10 Q. Okay. And please explain to the Board why this application
11 should be approved as submitted?

12 A. This application should be approved as submitted to prevent
13 waste, protect the correlative rights and to promote conservation of the gas resource.

14 TIM SCOTT: Thank you. That's all the questions I have for Mr.
15 Grantham.

16 BENNY WAMPLER: What was your TD again?

17 JERRY GRANTHAM: 5736.

18 BENNY WAMPLER: The application says 5756.

19 TIM SCOTT: Is the application correct?

20 JERRY GRANTHAM: Yeah, I believe the application is correct, 5756.

21 BENNY WAMPLER: Questions from members of the Board?

22 (No audible response.)

23 BENNY WAMPLER: Do you have anything further?

24 TIM SCOTT: No, sir.

1 BENNY WAMPLER: Is there a motion?

2 MARY QUILLEN: Motion to approve.

3 BRUCE PRATHER: Second.

4 BENNY WAMPLER: Second. Any further discussion?

5 (No audible response.)

6 BENNY WAMPLER: All in favor, signify by saying yes.

7 (All members signify by saying yes.)

8 BENNY WAMPLER: Opposed, say no.

9 (No audible response.)

10 BENNY WAMPLER: You have approval.

11 TIM SCOTT: Thank you.

12 BENNY WAMPLER: Next is a petition from Range Resources-Pine

13 Mountain, Inc. for a well location exception for proposed well V-530075, docket

14 number VGOB-08-0318-2192. We'd ask the parties that wish to address the Board

15 in this matter to come forward at this time.

16 TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Range

17 Resources-Pine Mountain, Inc.

18 BENNY WAMPLER: The record will show no others. You may

19 proceed.

20 TIM SCOTT: Thank you, Mr. Chairman. Again, we'd ask that the

21 testimony by Mr. Grantham and Mr. Horn regarding employment and job description

22 be incorporated by reference.

23 BENNY WAMPLER: That will be incorporated.

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PHIL HORN

DIRECT EXAMINATION

QUESTIONS BY MR. SCOTT:

Q. Mr. Horn, are you familiar with this application?

A. Yes, I am.

Q. And you're also familiar with the oil and gas ownership in this unit?

A. Yes, I am.

Q. Who owns the oil and gas?

A. Range Resources-Pine Mountain, Inc. owns 100% of the oil and gas inside this unit.

Q. Who operates wells P-101 and P-384?

A. Equitable Production Company.

Q. And does Range Resources-Pine Mountain also participate in the operation of those wells?

A. Yes, we do.

Q. How was notice of this hearing provided to parties listed on Exhibit B?

A. By certified mail.

Q. And has proof of mailing been provided to Mr. Wilson?

A. Yes, it has.

TIM SCOTT: That's all the questions I have for Mr. Horn.

BENNY WAMPLER: Questions from members of the Board?

(No audible response.)

1 BENNY WAMPLER: Call your next witness.

2

3 JERRY GRANTHAM

4 DIRECT EXAMINATION

5 QUESTIONS BY MR. SCOTT:

6 Q. Mr. Grantham, are you also familiar with this application?

7 A. Yes, I am.

8 Q. And did you participate in the preparation of this application?

9 A. Yes, I did.

10 Q. Would you please explain to the Board why we're seeking a
11 well location exception in this particular application?

12 A. We are seeking the exception location to drill well 530075 to
13 prevent the loss of stranded reserves.

14 Q. And is that depicted on Exhibit C provided to the Board
15 members?

16 A. Yes, in Exhibit C the well location is shown with a 1250 foot
17 radius. The area that's hatched in green represents the acreage that's currently not
18 in a producing well unit and is 64.06 acres.

19 Q. What's the proposed depth of this well?

20 A. The proposed depth of this well is 5428 feet.

21 Q. And what's the potential loss of reserves if this application is
22 not approved?

23 A. The potential loss of reserves is 500 million cubic feet.

24 Q. Would you please explain to the Board then why this

--

1 application should be approved as submitted?

2 A. This application should be approved to prevent waste, protect
3 correlative rights and to promote conservation of the gas resource.

4 TIM SCOTT: That's all the questions I have for Mr. Grantham.

5 BENNY WAMPLER: Would you talk just a little bit about why you
6 couldn't move it southeast or northwest?

7 JERRY GRANTHAM: If we look the southeast topographic issues
8 come into play. You actually move down onto Perkins tunnel and some very steep
9 terrain. Actually, to the northwest we have other potential locations proposed not at
10 this point to the Board, but some tentative locations that we're looking at possibly
11 drilling in the future, which would also be exceptions in that direction. The wells in
12 this area are actually very good producers and some of them...the better wells in the
13 Nora Field. So, we feel like this area needs to be...have additional wells drilled in it.

14 BENNY WAMPLER: Questions from members of the Board?

15 (No audible response.)

16 BENNY WAMPLER: Do you have anything further?

17 TIM SCOTT: No, sir.

18 BENNY WAMPLER: Is there a motion?

19 MARY QUILLEN: Motion to approve.

20 BRUCE PRATHER: Second.

21 BENNY WAMPLER: Second. Any further discussion?

22 (No audible response.)

23 BENNY WAMPLER: All in favor, signify by saying yes.

24 (All members signify by saying yes.)

--

1 BENNY WAMPLER: Opposed, say no.

2 (No audible response.)

3 BENNY WAMPLER: You have approval.

4 TIM SCOTT: Thank you.

5 BENNY WAMPLER: Next is a petition from Range Resources-Pine
6 Mountain, Inc. for a well location exception for proposed well V-530080. This is
7 docket number VGOB-08-0318-2193. We'd ask the parties that wish to address the
8 Board on this matter to come forward at this time.

9 TIM SCOTT: Tim Scott, Jerry Grantham and Phil Horn for Range
10 Resources-Pine Mountain.

11 BENNY WAMPLER: The record will show no others. You may
12 proceed.

13 TIM SCOTT: Thank you, sir. Again, we'd ask that the job description
14 and employment testimony in the prior hearings be incorporated by reference into this
15 hearing.

16 BENNY WAMPLER: That will be incorporated.

17 TIM SCOTT: Thank you, sir.

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22 PHIL HORN

23 DIRECT EXAMINATION

24 QUESTIONS BY MR. SCOTT:

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1 Q. Mr. Horn, are you familiar with this application?

2 A. Yes, I am.

3 Q. And are you also familiar with the ownership of the oil and

4 gas encompassed by this unit?

5 A. Yes, I am.

6 Q. And who owns the oil and gas?

7 A. Range Resources-Pine Mountain, Inc. owns all of the gas

8 with the exception of 23.77% over in the eastern part of the unit, which is owned by

9 Steinman Development Company, which is under lease to our partner, Equitable

10 Production Company.

11 Q. Okay, thank you. Mr. Horn, who operates wells P-79, P-99,

12 V-530081, P-100 and P-471?

13 A. All the wells except for V-530081 are producing wells and

14 are operated by Equitable Production Company and

15 V-530081 we just recently got an exception location on it. We will...we have not

16 applied for permit, but we will apply for permit and drill it and turn it over to Equitable

17 to produce.

18 Q. Okay, thank you. So, in this particular well, all these wells

19 Pine Mountain will participate in the---?

20 A. That's correct.

21 Q. As to the notice provided to the parties listed on Exhibit B,

22 how was that accomplished?

23 A. By certified mail.

24 Q. And we've provided proof of mailing to Mr. Wilson, is that

25

1 correct?

2 A. Yes, we have.

3 TIM SCOTT: That's all the questions I have for Mr. Horn.

4 BENNY WAMPLER: Questions from members of the Board?

5 BOB WILSON: Mr. Chairman.

6 BENNY WAMPLER: Mr. Wilson.

7 BOB WILSON: The 530081 well, did you say that you've already

8 have gotten an exception for that well from these others around it?

9 PHIL HORN: Yes.

10 BOB WILSON: As a proposed well?

11 PHIL HORN: You know what, we got an exception for 81 and 82

12 down below there that is shown as not drilled. We just...we have not permitted them

13 yet.

14 BOB WILSON: Right. Actually, what you're asking for here then is an

15 exception from a well for which we have neither a permit application nor a permit.

16 PHIL HORN: We thought we went through this once before and you

17 told us to go ahead and show these proposed wells and get an exception from it.

18 We thought we had this discussion.

19 BOB WILSON: Uh---.

20 PHIL HORN: Well, maybe I'm mistaken then.

21 BOB WILSON: Yeah. If it's a permitted well, you can get an

22 exception from it and you can get an exception with a proposed well from other wells

23 around it, but I'm not sure if there is a mechanism for giving an exception to a well

24 that's not...give an exception from a well that's not in the permit application. Maybe

1 I'm over doing it personally. I don't know. I'm I even being clear?

2 BENNY WAMPLER: Yeah. You don't know where the location of that

3 well is going to be within that unit for one thing.

4 PHIL HORN: We got an exception on it last month right there.

5 TIM SCOTT: The plat has already been submitted to the Board.

6 BOB WILSON: Okay. You got an exception from P-100, is that

7 correct?

8 PHIL HORN: Yes, and some more wells to the west. I don't have

9 that file with me.

10 BOB WILSON: Sure.

11 TIM SCOTT: That's right.

12 BOB WILSON: Okay. But not from 530080, which is what you're

13 doing today to the...I mean---.

14 TIM SCOTT: That's correct.

15 BENNY WAMPLER: Yeah, this proposal today is 80.

16 PHIL HORN: Do you remember when we ran into this on our 10 and

17 15 wells several months ago? The well we had to redo it two or three times where

18 we---?

19 (No audible response.)

20 PHIL HORN: Okay. Well---.

21 BOB WILSON: Yeah. I remember some of the questions that we had

22 about wells that were being shown, but I don't remember this specific situation where

23 you're actually asking for an exception from a well that doesn't exist either in permit

24 or actuality.

1 JERRY GRANTHAM: But it exists as...I mean, we can't move that
2 location at this point, isn't that correct?

3 BENNY WAMPLER: That's what I wanted to point out.

4 JERRY GRANTHAM: I mean, the well...the fact that we already come
5 to the Board and shown a plat, we'd have to come back to the Board?

6 TIM SCOTT: Yeah, that was submitted already.

7 BENNY WAMPLER: I mean---.

8 BOB WILSON: I'm cool if the Board is cool.

9 BENNY WAMPLER: Well, I mean, if...the Board can say what they
10 want. I'm just talking me personally here. I'm not trying to direct you, but I don't
11 have a problem with it from the standpoint and that's why I asked. We approved a
12 specific location for that well. If we were...if you were to move that, I think you'uns
13 got to come back from what he proposed---.

14 TIM SCOTT: We'd have to come back to the Board.

15 BENNY WAMPLER: ---from what the Board approved because we
16 approve with that understanding of those distance from that other well and that's the
17 same thing with today. It's another proposed well. If he moves anything on there
18 that affects anything else, they've got to come back.

19 BRUCE PRATHER: I think it's the sequence as---.

20 BENNY WAMPLER: Right.

21 BRUCE PRATHER: ---to what's done.

22 TIM SCOTT: And to be truthful with the Board, what we experienced
23 the last time was as we began to determine where these wells were going to be
24 located we actually ended up before the Board on three consecutive occasions as we
--

1 were asking for well location exceptions and that's where this all arose for this
2 particular application. But that is firm, as Mr. Chairman has stated.

3 BENNY WAMPLER: I'd rather see them personally where you go...I
4 mean, I'd like to see the big...even bigger than this for that matter, but---

5 BOB WILSON: I have no problem with it.

6 BENNY WAMPLER: Okay.

7 TIM SCOTT: Thank you.

8 BENNY WAMPLER: Other questions of this witness?

9 (No audible response.)

10

11 JERRY GRANTHAM

12 DIRECT EXAMINATION

13 QUESTIONS BY MR. SCOTT:

14 Q. Mr. Grantham, did you participate in this...the preparation of
15 this application?

16 A. Yes, I did.

17 Q. And would you please explain to the Board why we're
18 seeking the well location exception today?

19 A. We're seeking an exception for well 530080 to prevent the
20 loss of strained reserves.

21 Q. And is that shown on Exhibit C provided to the members of
22 the Board?

23 A. That's correct. The well is shown a location with a 1250 foot
24 radius circle. In the area that's hatched in green represents the area that's currently

--

1 not in an existing unit and represents 74.73 acres.

2 Q. Okay, thank you. What's the proposed depth of this well?

3 A. The proposed depth of this well is 40...5415 feet.

4 Q. And what would be the potential loss of reserves if this
5 application were not granted?

6 A. The potential loss of reserves would be 450 million cubic feet
7 of gas.

8 Q. Please then tell the Board why this application should be
9 approved as we've submitted it.

10 A. To prevent waste, protect correlative rights and promote
11 conservation of the gas resource.

12 TIM SCOTT: That's all the questions I have for Mr. Grantham.

13 BENNY WAMPLER: Questions from members of the Board?

14 (No audible response.)

15 BENNY WAMPLER: Do you have anything further?

16 TIM SCOTT: No, sir.

17 BENNY WAMPLER: Is there a motion?

18 MARY QUILLEN: Motion to approve.

19 BRUCE PRATHER: Second.

20 BENNY WAMPLER: Second. Any further discussion?

21 (No audible response.)

22 BENNY WAMPLER: All in favor, signify by saying yes.

23 (All members signify by saying yes.)

24 BENNY WAMPLER: Opposed, say no.

--

1 (No audible response.)
2 BENNY WAMPLER: You have approval.
3 TIM SCOTT: Thank you.
4 JERRY GRANTHAM: Thank you.
5 BENNY WAMPLER: Next is the minutes of the last meeting. They
6 have been distributed to the Board members. You've had a chance to look them
7 over. Unless you have any question or suggested changes, I'll entertain a motion for
8 approval.
9 (No audible response.)
10 BENNY WAMPLER: Is there a motion for approval?
11 MARY QUILLEN: Motion to approve.
12 BRUCE PRATHER: Second.
13 BENNY WAMPLER: Any further discussion?
14 (No audible response.)
15 BENNY WAMPLER: All in favor, signify by saying yes.
16 (All members signify by saying yes.)
17 BENNY WAMPLER: Thank you. And we'll also reopen for public
18 comment. Hearing none, this hearing is closed. Thank you.

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22 STATE OF VIRGINIA,

23 COUNTY OF BUCHANAN, to-wit:

24 I, Sonya Michelle Brown, Court Reporter and Notary

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1 Public for the State of Virginia, do hereby certify that the
2 foregoing hearing was recorded by me on a tape-recording
3 machine and later transcribed under my supervision.

4 Given under my hand and seal on this the 10th day
5 of April, 2008.

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NOTARY PUBLIC

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9 My commission expires: August 31, 2009.

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